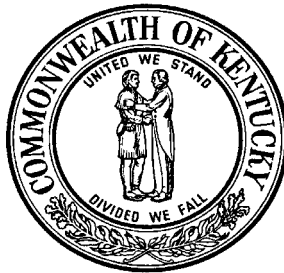


**REPORT OF THE AUDIT OF THE  
MCCRACKEN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE MCCRACKEN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**

The Auditor of Public Accounts has completed the audit of the McCracken County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the financial statements taken as a whole. Based on the work performed, the financial statements are presented fairly in all material respects.

#### **Financial Condition:**

The fiscal court had total net assets of \$49,251,263 as of June 30, 2004. The fiscal court had unrestricted net assets of (\$554,827) in its governmental funds as of June 30, 2004, with total net assets of \$49,238,655. In its enterprise fund, total net cash and cash equivalents were \$13,967 with total net assets of \$12,608. The fiscal court had total debt principal as of June 30, 2004 of \$17,483,137 with \$406,722 due within the next year.

#### **Deposits:**

As of June 30, 2004, the Fiscal Court's deposits were insured and collateralized by bank securities.



<u>CONTENTS</u>	PAGE
INDEPENDENT AUDITOR’S REPORT .....	1
MCCRACKEN COUNTY OFFICIALS.....	3
STATEMENT OF NET ASSETS .....	23
STATEMENT OF ACTIVITIES .....	26
BALANCE SHEET - GOVERNMENTAL FUNDS .....	30
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS .....	34
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES .....	39
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND .....	43
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS .....	47
STATEMENT OF FIDUCIARY NET ASSETS.....	55
NOTES TO FINANCIAL STATEMENTS.....	57
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS .....	81
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION.....	98
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS.....	100
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS .....	104
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	109
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	113
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	114
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	117
REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	121
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Danny Orazine, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the McCracken County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
Robbie Rudolph, Secretary  
Finance and Administration Cabinet  
Honorable Danny Orazine, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McCracken County, Kentucky's basic financial statements. The accompanying supplementary information and combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of federal expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2005, on our consideration of McCracken County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 21, 2005



MCCRACKEN COUNTY OFFICIALS

For The Year Ended June 30, 2004

**Fiscal Court Members:**

Danny B. Orazine	County Judge/Executive
Zana Renfro	Commissioner
Bob Grimm	Commissioner
Ronnie Freeman	Commissioner

**Other Elected Officials:**

Dan Boaz	County Attorney
Cliff Gill	Jailer
Randy Otey	County Clerk
Mike Lawrence	Circuit Court Clerk
Frank Augustus	Sheriff
Nancy Bock	Property Valuation Administrator
Dan Sims	Coroner

**Appointed Personnel:**

Steve Doolittle	County Administrator
Audra Herndon	County Treasurer
Angie Brown	Finance Officer
Owen Lynn	Occupational Tax Collector
Shirley Valerius	Jail Administrative Assistant



## Management Discussion and Analysis

This section of McCracken County's financial report presents our discussion and analysis of the County's financial performance for the fiscal year ended June 30, 2004. This should be read in conjunction with the financial statements, which follow this section.

### Financial Highlights

- The government-wide assets of McCracken County exceeded liabilities at the close of the fiscal year ended June 30, 2004 by \$49,251,263 (net assets). Total net assets decreased by \$1,126,240 or 2.2% from the prior year.
- During the year the County issued a \$2.5 million note to the City of Paducah (City) for the County's portion of the costs associated with the construction of a 100,000 square foot building to be leased by the City and County to the Paducah McCracken County Industrial Development Authority (IDA). The building was still under construction at June 30, 2004, resulting in Construction in Progress of \$1,719,363 and prepaid construction costs of \$780,636. The IDA contributed land valued at \$672,700 to the City and County for this project; the County's contribution income derived from the land acquisition totaled \$336,350.
- During the fiscal year, the County received a total of \$905,867 in federal grants and \$253,823 in state grants. The federal grants include Homeland Security and the Industrial Park West project. The County received \$760,082 for these two programs. State grants include Juvenile Delinquency Prevention funds totaling \$172,265, which was passed through to various programs within McCracken County.

### Overview of the Financial Statements

This discussion and analysis serves as an introduction to the County's basic financial statements. These statements consist of the government-wide financial statements, fund financial statements, and notes to the financial statements. This financial report also includes required supplementary information, which provides additional insight toward the understanding of the financial condition of McCracken County.

**Government-wide Financial Statements:** The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole. Both long-term and short-term information is provided to give the reader a view of the County's overall financial status. There are separate columns for the governmental and business-type activities, and they include all funds of the reporting entity except for fiduciary funds. These statements are prepared using the economic resources measurement focus and the accrual basis of accounting. The government-wide statements can be found on pages 19 - 22 of this report.

**Fund Financial Statements:** Fund financial statements provide more detail than the government-wide statements by presenting the individual components of the County's government. Activities of the County are separated into funds, which are separate account classifications with a self-balancing set of accounts. These funds are grouped into three fund types: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

**McCracken County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

Governmental fund statements emphasize near-term inflows and outflows of available resources and are reported using the current financial resources measurement focus. The County has 12 governmental funds, which are used to report most of the County's basic services. There are five (5) major funds, which have been separately reported in the governmental fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, Road Fund, Jail Fund, Sheriff's Fund, and Debt Service Fund. The remaining funds have been presented collectively in the governmental fund financial statements. The individual information for these funds is presented in the combining statements in the Supplementary Information section of the report.

Proprietary funds are broken down into two (2) fund types, which are enterprise funds and internal service funds. Enterprise funds are used to report activities in which fees are charged to external users in exchange for goods or services (business-type activities). The jail canteen fund is an enterprise fund and is the only proprietary fund of the County. The jail canteen fund statements are presented using the same measurement focus and basis of accounting as in the government-wide statements.

Fiduciary Funds are used to account for assets held by the County as an agent for others. Fiduciary Fund activity is not included in the government-wide financial statements because the County cannot use the assets for its operations. The County has four fiduciary funds: Car Rental Tax Fund, Unclaimed Monies Fund, Jail Inmate Fund, and the Transient Room Tax Fund. The assets and corresponding liabilities of these funds are reported in the Statement of Fiduciary Net Assets. The fund financial statements can be found on page 33 of this report.

**Notes to the Financial Statements.** The notes to the financial statements are an integral part of the government-wide and fund financial statements. They provide additional information and expanded detail that is essential to obtaining a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 41 - 61 of this report.

**Required Supplementary Information.** This Management Discussion and Analysis and the Budgetary Comparison Schedules for the County's major funds represent financial information that is required by the GASB. This information provides the users of this report with additional information that supplements the basic financial statements. Required supplementary information can be found on pages 63 - 80 of this report.

**Other Supplementary Information.** Optional financial information is included in this part of the report. The combining statements for non-major funds, which are presented as a single column in the fund financial statements, can be found on pages 82 - 86.

**Government-Wide Financial Analysis**

**Net Assets.** Table 1 on the next page provides a comparison of the Statement of Net Assets from 2003 to 2004. The County's combined net assets fell by 2.2%. Investment in capital assets decreased by \$2,760,817, which is the primary cause of the reduction in combined net assets. This decrease occurred due to additions to accumulated depreciation through annual depreciation expense on existing capital assets and because of the debt issue associated with the new speculative building project. Restricted net assets at June 30, 2004 include \$780,637 of unspent note proceeds restricted for the building's construction.

**McCracken County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Table 1**

<b>McCracken County</b>						
<b>Net Assets</b>						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 11,000,897	\$ 9,267,641	\$ 13,967	\$ 38,862	\$ 11,014,864	\$ 9,306,503
Capital assets	56,680,403	57,134,300	14,018	23,526	56,694,421	57,157,826
Total assets	\$ 67,681,300	\$ 66,401,941	\$ 27,985	\$ 62,388	\$ 67,709,285	\$ 66,464,329
Long-term liabilities	\$ 17,076,415	\$ 14,864,610	\$ -	\$ 14,309	\$ 17,076,415	\$ 14,878,919
Other liabilities	1,366,230	1,197,412	15,377	10,495	1,381,607	1,207,907
Total liabilities	18,442,645	16,062,022	15,377	24,804	18,458,022	16,086,826
Net assets:						
Invested in capital assets,						
Net of related debt	48,025,403	50,784,299	7,296	9,217	48,032,699	50,793,516
Restricted	1,768,079	801,431	-	-	1,768,079	801,431
Unrestricted	(554,827)	(1,245,811)	5,312	28,367	(549,515)	(1,217,444)
Total net assets	\$ 49,238,655	\$ 50,339,919	\$ 12,608	\$ 37,584	\$ 49,251,263	\$ 50,377,503

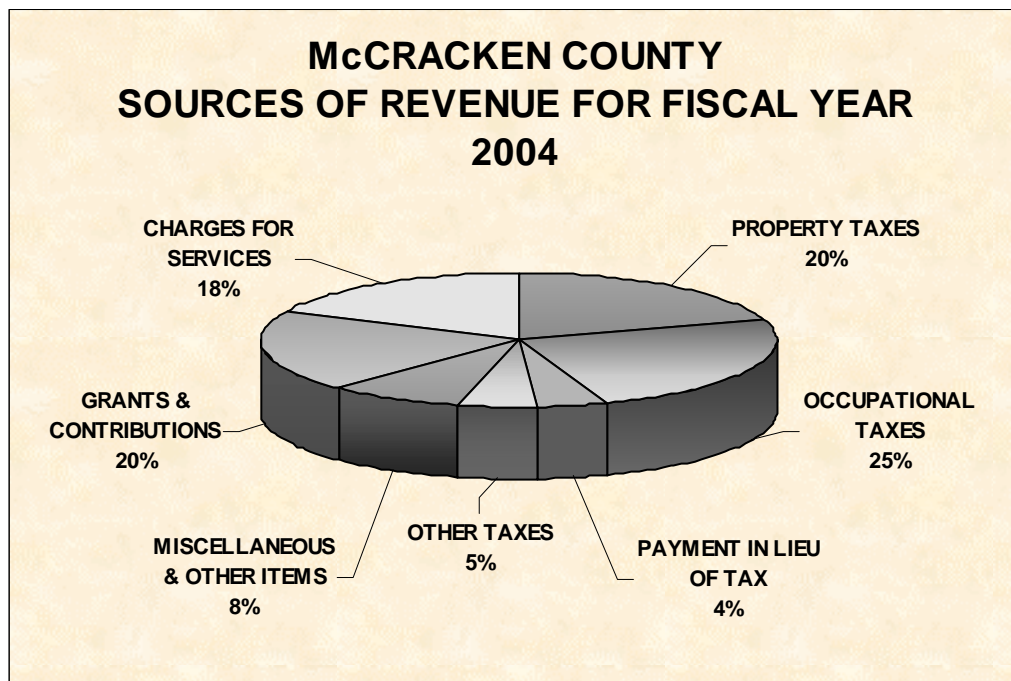
Many of the significant changes seen in assets and liabilities were due to the construction of a new building in Industrial Park West. Prepaid construction costs contributed \$780,636 to the increase in assets. Long-term liabilities increased significantly from \$14,878,919 in 2003 to \$17,076,415 in 2004. As mentioned in the financial highlights, this was due to a \$2.5 million note payable issued to the City of Paducah for the County's portion of financing the construction of the building.

In addition to examining the long-term outlook of the County, the statement of net assets provides insight on the County's ability to meet current obligations. The current ratio is calculated by dividing total current assets by total current liabilities and is frequently used to measure an entity's liquidity. At June 30, 2004, the County's current ratio was 7.97. The current ratio at last fiscal year-end was 7.70. This increase indicates that the County's financial position, in terms of meeting short-term obligations, has improved slightly from the prior year.

**Changes in Net Assets.** Knowledge of how the County's revenue sources and functional expenses are comprised provides valuable insight when analyzing fluctuations in operating accounts from one year to the next. Figures 1 (page 7) and 2 (page 8) categorize the sources and uses of funds for fiscal year 2004.

**McCracken County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

Figure 1



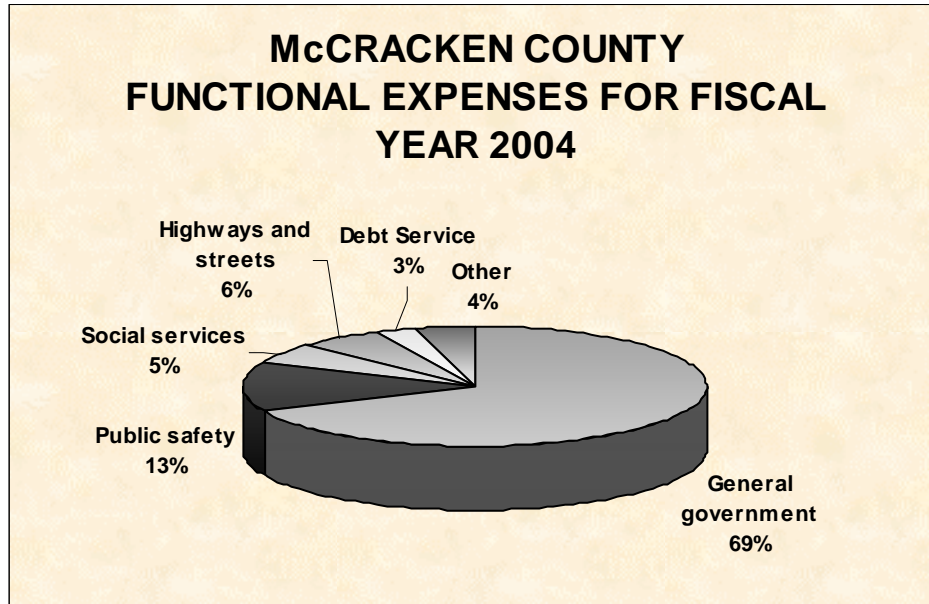
In fiscal year 2004, the County generated 54% of its revenue from taxes. Occupational tax, which includes both payroll tax and net profits tax, is the largest source of income to the County, totaling approximately \$4.3 million in 2004. It should be noted that only 20% of tax revenue was derived from property taxes. Although this is in alignment with the rest of the state, Kentucky and its local governments are limited in their dependence on property tax revenues compared to other state and local governments throughout the country. According to a study done by the Kentucky Long-Term Policy Research Center in 2001, Kentucky's state and local governments combined collected only 17.2% of its revenue from property taxes.<sup>1</sup> The nation as a whole derives 30% of its revenue from property taxes and appears to be less reliant on income taxes. This data indicates that the County's revenue flow is subject to volatility and fluctuations closely follow changes in the local economy. Economic events such as the closing of the USEC plant, which will occur within the next ten years, are certain to have an immediate and significant effect on the County's budget. A recent rating report by Moody's Investors Service states: "... closure of the USEC facility could result in deterioration of credit quality, given rising unemployment and the relatively high wages paid by USEC." (See Appendix 1)

Grants and contributions were the next largest revenue source and comprised 20% of the County's revenue for fiscal year 2004. Again, this is a category that is considered variable since it is contingent on the availability of state and federal funding sources. This number is also affected by grantees that utilize the County as a pass-through agency to receive funding. Specific grant issues are addressed in Table 2 (page 9) and the analysis that follows, which are presented further in this discussion.

<sup>1</sup> Financing State and Local Government: Future Challenges and Opportunities. Kentucky Long-Term Policy Research Center, 2001 <<http://www.kltprc.net/studies1.htm>>.

**McCracken County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

Figure 2



Over two-thirds of the County's expenses in fiscal year 2004 were for general government purposes. This category encompasses the costs of providing a wide array of general government services and includes the administrative costs of running the County. Major categories of expenses included in this category are personnel and fringe benefits, insurance, and depreciation expense. Public safety is the next largest functional category at 13%. It is important to note that the classification of general government and public safety expenses are not determined by fund type. For example, personnel costs associated with the jail are included in general government expenses, while the costs of maintaining the prisoners themselves, such as food and medical expenses, are included in public safety.

**McCracken County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

Table 2 below provides a comparison of the County's operating results to the prior year.

Table 2

**McCracken County**  
**Changes in Net Assets**  
**(Governmental Activities Only)**

	2004	2003	Increase/ (Decrease)	% Change
Program Revenues				
Charges for Services	\$ 3,068,655	\$ 3,241,000	\$ (172,345)	-5.3%
Grants & Contributions	3,462,965	4,497,656	(1,034,691)	-23.0%
General Revenues				
Taxes	9,433,609	9,246,507	187,102	2.0%
Miscellaneous & Other	1,462,290	910,543	551,747	60.6%
Total Revenue	\$ 17,427,519	\$ 17,895,706	\$ (468,187)	
Expenses:				
General Government	\$ 12,660,703	\$ 12,188,385	\$ 472,318	3.9%
Public Safety	2,512,030	2,067,257	444,773	21.5%
Health & Sanitation	220,576	109,654	110,922	101.2%
Social Services	980,751	2,248,950	(1,268,199)	-56.4%
Recreation & Culture	485,158	616,627	(131,469)	-21.3%
Highways & Streets	1,143,632	914,631	229,001	25.0%
Debt Service	525,933	537,470	(11,537)	-2.1%
Total Expenses	\$ 18,528,783	\$ 18,682,974	\$ (154,191)	

Total revenue decreased by \$468,187 from 2003, and there were some additional changes noted between program and general revenues. These variations were primarily due to grant activity. The Child Support Enforcement Office was not considered a component of the County in 2004. During fiscal year 2003, the Friend of the Court was still in existence, and Title IV grant funds were reported as County grant revenue. For 2004, the only revenue generated by the County from the Child Support office was salary reimbursement in the amount of \$466,199, which was reported as general revenue. Grants & contributions also decreased due to grant funds received for the Industrial Park West project in 2003. Although this project was still in progress during 2004, the majority of the grant funds were received in the prior year.

Total expenses decreased by \$154,191, or less than 1%, from 2003. However, some significant changes took place among the functional categories. Health & sanitation saw increases in dog warden supplies due to abused horses that were seized during the year; there was also an increase in solid waste disposal for costs incurred as a result of the annual "Spring Clean-up Day" program. Social services expenses decreased due to the elimination of the child support enforcement fund as described above. Expenses associated with the Industrial Park West grant were also reported under this function. (See paragraph above) A new roof was installed on the Convention Center in 2003, which caused a decrease in recreation & culture expenses for 2004.

**McCracken County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

**Fund Statement Analysis.** Combined fund balances for the County's governmental funds totaled \$6,447,275 at June 30, 2004, an 11.6% increase from prior year. Table 3 below provides a prior year comparison of fund balances for each of the County's major funds and the other funds combined

**Table 3**

<b>McCracken County Fund Balance Comparison Governmental Funds</b>			
	<b>Fund Balance</b>		<b>Increase/ Decrease</b>
	<b>2004</b>	<b>2003</b>	
General Fund	\$ 5,722,114	\$ 4,896,153	\$ 825,961
Road Fund	188,413	171,515	16,898
Jail Fund	(44,824)	18,925	(63,749)
Sheriff Fund	(30,356)	11,448	(41,804)
Debt Service Fund	564,140	564,523	(383)
Non-Major Funds	47,789	115,452	(67,663)
Total governmental funds	<u>\$ 6,447,276</u>	<u>\$ 5,778,016</u>	<u>\$ 669,260</u>

The fund balance of the General Fund represents 89% of the County's total combined fund balances because this is the primary operating fund of the County. The fund balance of the General Fund increased \$825,961 from the prior year. The balance sheet shows a notable increase in cash from prior year and little change in the balances of other asset accounts and liabilities. This indicates that the excess of revenue over expenditures is being retained in cash, and the County has improved its ability to meet short-term obligations. The fund balances of the Road, Jail, & Sheriff Funds represent the surplus/(deficit) that results from current receivables over current obligations. These balances denote future transfers to and from the General Fund. Fund balances for non-major funds decreased due to the closing of the Carson Park Bleacher Fund during the year.



**McCracken County**  
**Management's Discussion and Analysis**  
**June 30, 2004**  
**(Continued)**

Table 4 below compares the revenues of each of the County's major funds and combined non-major funds to the prior year.

<b>Table 4</b>			
<b>McCracken County Revenue Comparison Governmental Funds</b>			
	<b>Governmental Funds Revenue</b>		
	<b>2004</b>	<b>2003</b>	<b>Change</b>
General Fund	\$ 10,884,822	\$ 10,470,895	\$ 413,927
Road Fund	1,207,189	1,106,719	100,470
Jail Fund	1,726,420	1,548,012	178,408
Sheriff Fund	1,216,101	1,218,559	(2,458)
Debt Service Fund	238,320	241,338	(3,018)
Non-Major Funds	1,609,237	3,286,940	(1,677,703)
	<u>\$ 16,882,089</u>	<u>\$ 17,872,463</u>	<u>\$ (990,374)</u>

The table above compares the revenue of each of the County's major funds and combined non-major funds to the prior year. The increase in General Fund revenue is due to the receipt of salary reimbursement from the Child Support Office. As explained in the government-wide financial analysis, the Child Support Enforcement Fund is no longer a County fund. This, along with the discussion of state grants in the government-wide analysis, explains the decrease in revenue of Other Funds.

Table 5 below compares the expenditures of each of the County's major funds and combined non-major funds to the prior year.

<b>Table 5</b>			
<b>McCracken County Expenditure Comparison Governmental Funds</b>			
	<b>Governmental Funds Expenditures</b>		
	<b>2004</b>	<b>2003</b>	<b>Change</b>
General Fund	\$ 6,486,943	\$ 5,491,318	\$ 995,625
Road Fund	1,521,745	1,373,292	148,453
Jail Fund	3,875,409	3,661,116	214,293
Sheriff Fund	1,970,070	1,907,759	62,311
Debt Service Fund	632,221	562,008	70,213
Non-Major Funds	1,726,442	3,360,944	(1,634,502)
	<u>\$ 16,212,830</u>	<u>\$ 16,356,437</u>	<u>\$ (143,607)</u>

**McCracken County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

The increase in General Fund expenditures is primarily due to the payment of salaries for the Child Support Office. Increases were also a result of motor vehicles purchased for various departments, along with economic development projects. Decreases in the expenditures of non-major funds correlate directly with the decreases in revenue as explained in revenue discussion.

**General Fund Budgetary Highlights.**

The Fiscal Court revises the County's budget as it becomes necessary during the fiscal year. During fiscal year 2004 there were no budget amendments. Budget transfers were made each quarter to cover shortages on certain line items, but these transfers did not affect the total of overall budgeted expenditures.

Some of the variations between original and final budget during the year include:

- Transfers of \$256,113 to Economic Development for costs incurred as a result of land & building improvements and incentives related to unanticipated economic development projects.
- Transfers of \$247,491 to Miscellaneous for various items during the year such as jail expansion design plans, roof repairs to the County-owned Rape Crisis Center, Convention Center roof project expenses, etc.

**Capital Asset and Debt Administration**

**Capital Assets.** At June 30, 2004, the County had \$56,694,421 invested in capital assets (net of depreciation) for both governmental and business-type activities. Capital assets include land and land improvements, buildings and building improvements, vehicles and equipment, infrastructure, and construction in progress.

During the year, the County acquired \$2,678,718 in capital assets. Major additions include: Construction in progress of \$1,719,363 for the new speculative building in Industrial Park West; land amounting to \$336,350, also related to the new speculative building in Industrial Park West; a new IBM AS/400, which cost \$97,350; \$211,578 in mobile data terminals purchased with COPS grant funds; and various other vehicle and equipment additions.

**Debt Administration.** The County had \$12,982,500 of debt outstanding at June 30, 2004. This amount excludes capital leases, accrued compensated absences, and other liabilities. As set forth in Section 158 of the Kentucky Constitution, counties having a population of 15,000 or more shall not incur indebtedness in excess of 10% of the value of their taxable property. With total property valued at approximately \$2.4 billion, the County is well within its debt limitation.

There was one (1) new debt issue during the year, which amounted to \$2,500,000. As described in government-wide financial analysis, the County issued a note to the City of Paducah for its portion of financing the construction of a speculative building in Industrial Park West. The City of Paducah financed the project by issuing \$5,000,000 in General Obligation Taxable Public Project Bonds, Series 2004, dated June 17, 2004. Included in the debt proceedings was the requirement of a rating opinion by Moody's Investors Service. The County received an issuer rating of A1, while the project received a rating of A2. Moody's rating report dated May 24, 2004, states: "The rating reflects the city's [and County's] diverse economy, healthy financial position and modest debt burden." As discussed in the government-wide financial analysis, while reporting that the area is currently in a healthy financial position, the report noted that the upcoming closure of McCracken County's USEC facility could pose some risk to our credit quality. A copy of the Moody's rating letter is included as Appendix 1 to this discussion.

**McCracken County  
Management's Discussion and Analysis  
June 30, 2004  
(Continued)**

Subsequent to year-end, yet prior to the issuance of this report, there were several small debt issues with terms of five years or less. The County entered into a lease agreement with the Kentucky Association of Counties to finance the construction of a rail spur in the Industrial Park West (\$250,000) and the replacement of the jail's roof (\$300,000). This is a five-year variable rate lease with monthly principal and interest payments. The County signed an inter-local agreement with the City to equally share the debt service on the rail spur. As of the date of this discussion, the County has entered into a similar agreement in the amount of \$300,000 for costs related to the construction of a new speculative building in Industrial Park West.

**Economic Factors and Other Potentially Significant Matters.**

Current economic conditions indicate an alarming increase in the cost of benefits provided to County employees. Over the past ten years, the required match for hazardous duty retirement contributions has averaged 17.8%, with the rate for fiscal year 2004 being 18.51%. For fiscal year 2005, the rate is 22.08%, and the newly set rate for fiscal year 2006 is 25.01%. The increased match requirement will result in additional costs that exceed \$325,000 from 2004 to 2006. Providing this benefit has become so costly that hazardous duty retirement match now exceeds the cost of providing health insurance to the jail and sheriff's department. While the match for non-hazardous duty employees is significantly lower, sharp increases are also being made to these rates. Over the past ten years the rate has averaged 7.78% with the rates being 7.34%, 8.48%, and 10.98% for fiscal years 2004, 2005, and 2006 respectively. If this trend continues, it could have a significant impact on the County's ability to meet the contribution requirements. Another area of great concern is the cost of health insurance benefits. The County is currently participating in the State plan, and employees experienced 40% increases in premiums from calendar year 2004 to 2005. The increase in cost over the past few years has been passed on to the employees, but with these escalating rates, the burden is becoming unreasonable and a decision looms over how to resolve this problem.

As factories are closing and downsizing is occurring in most areas of the country, local governments are doing their part to attract business and industry to their region. The pressure for job creation in McCracken County is even more critical now that the area's largest employer has announced it's closing. Companies are looking for locations with buildings that are in "move-in" condition as well as incentives such as relocation grants and tax breaks. Officials are working hard to develop the land within our two existing industrial parks by constructing speculative buildings and providing incentives to companies who locate within the parks. In order to strengthen the efforts for this regional issue, the County has partnered with the City of Paducah on several joint projects, and it is anticipated that more of these projects will occur over the next five years.

Our E911 center funds its operations by charging a local monthly service fee on wireline telephones. The Kentucky Commercial Mobile Radio Services Board (CMRS Board) administers the CMRS fund for the purpose of implementing wireless emergency 911 service through out Kentucky. The CMRS collects \$0.70 per month from each cellular phone. When the proceeds are distributed, less than \$0.35 goes back into local systems for receiving wireless calls. In McCracken County this year, more than 50% of E911 calls will originate from wireless phones. As the number of cell calls received by our E911 center increases, funding decreases, and the County is faced with the dilemma of how to fund its E911 center in the future.

**Contacting the County's Financial Management.**

This report is designed to provide a general overview of the County's finances to our citizens, taxpayers, customers, and creditors. Any questions concerning the information provided in this report or requests for additional financial information should be directed to the Finance Office, McCracken County Courthouse, 301 S. 6<sup>th</sup> Street, Paducah, KY 42003-1700.

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**McCracken County  
Management's Discussion and Analysis  
June 30, 2004**

**Appendix 1**





Moody's Investors Service

Global Credit Research

New Issue

24 MAY 2004

New Issue: Paducah (City of) KY

**MOODY'S ASSIGNS A2 TO PADUCAH (KY'S) GENERAL OBLIGATION TAXABLE PUBLIC PROJECT BONDS, SERIES 2004****A2 AFFIRMATION AFFECTS \$17.3 MILLION OF PARITY DEBT, INCLUDING CURRENT OFFERING**Municipality  
KY**Moody's Rating**

ISSUE	RATING
General Obligation Taxable Public Project Bonds, Series 2004	A2
Sale Amount	\$5,055,000
Expected Sale Date	05/25/04
Rating Description	General Obligation

**Opinion**

NEW YORK, May 24, 2004 -- Moody's has assigned an A2 rating to the City of Paducah's (KY) General Obligation Taxable Public Project Bonds, Series 2004. The bonds are secured by the city's general obligation, unlimited property tax pledge. Proceeds will finance the acquisition and construction of a 100,000 square foot building to be leased by the city and McCracken County (Issuer Rating A1) to the Paducah McCracken Industrial Development Authority. The city has covenanted to deposit into the bond fund all amounts received by the city from this lease. These payments will be equal to 50% of the debt service on the bonds. In addition, pursuant to an interlocal agreement, the county has a general obligation to pay to the city an amount equal to 50% of the debt service on the bonds when due. The county's obligation is backed by its unlimited property tax pledge. The rating reflects the city's diverse economy, healthy financial position and modest debt burden.

**CITY IS AREA ECONOMIC ENGINE; POTENTIAL PLANT CLOSURE COULD POSE RISK**

Paducah is a service and trade center, as well as an employment base for western Kentucky and the southeastern Illinois region. The area economy includes medical, educational, and industrial sectors. In addition, the city's location at the confluence of the Ohio and Tennessee rivers has driven the development of a substantial river services industry. The city's population declined 3.5% in the 1990s, primarily due to migration to suburban developments within the county. However, the city remains the economic engine and employment base for the area, and officials report that city's population doubles during the day. Officials are working to stave off further population loss through tax incentives to developers to encourage annexation and downtown revitalization programs. The city has experienced annual average tax base growth of 4.6% over the past five years, primarily due to revaluation and new commercial and medical development. The city's unemployment rate, having remained well below the state and national rates over the past ten years, has recently increased due to various plant closures in the areas surrounding the city. As of March 2004, the city's 6.2% unemployment rate exceeded the state and national unemployment rates of 5.8% and 6.0%, respectively. Wealth levels in the city have been gradually decreasing relative to the state over the past three decades, with 1999 per capita income and median family income at 101.6% and 83.3% of the state levels, respectively, down from 106.9% and 87.6% in 1989.

The United States Enrichment Corporation (USEC), a uranium processor, is the area's largest employer, employing between 1,200 and 2,000 relatively high-wage employees. Officials report that the company has announced plans to relocate the McCracken operations to Ohio in six years, and the fate of the Paducah plant is currently uncertain. As part of an environmental clean-up effort, the federal government is funding a new \$300 million conversion plant, which will convert remaining uranium to comply with environmental regulations, a process projected to take thirty years. The conversion plant will take approximately two years to construct, and will provide 150 permanent jobs. The company may maintain the Paducah plant, should domestic and/or global demand for uranium increase significantly. Moody's notes that closure of the USEC facility could result in deterioration of credit quality, given rising unemployment and the relatively high wages

<http://www.moodys.com/moodys/cust/research/genoa/Report/New%20Issue/600039450/20029000004...> 7/19/2004

paid by USEC. The city, in cooperation with the county, has mounted a major marketing campaign to attract new industrial development to the area. The city has ample land available for development in its two existing industrial parks, and a third 2,000 to 3,000 acre mega-site is under development.

#### SATISFACTORY FINANCIAL PERFORMANCE

Moody's expects continued favorable financial performance given the city's use of multi-year forecasting and three-year trend of satisfactory financial operations. The city maintains satisfactory General Fund reserves, closing fiscal year 2003 with \$4.9 million, or 19.7% of revenues, following three years of operating surpluses, including a \$484,000 surplus in fiscal 2003. The city's policy is to maintain General Fund reserves at a minimum of 12.5% of General Fund revenues, with use of reserves allowable only for one-time capital expenditures. For fiscal 2004, city officials indicate General Fund revenues are expected to come in at budgeted levels, and expenditures are coming in below budget. As a result, management expects to add to Fund Balance as of year-end. Revenues are derived largely from property taxes, employee earnings taxes, and insurance premium fees. Given the satisfactory historical and projected performance, as well as the expected maintenance of reasonable reserves, Moody's believes that the city's financial position will remain satisfactory for the foreseeable future.

#### DEBT BURDEN EXPECTED TO REMAIN MANAGEABLE

The city's direct and overall debt burdens are modest at 1.1% and 2.1%, respectively. Payout is slower than average, with 32.1% of principal repaid within ten years; however, all debt will be retired within 22 years. Moody's expects the city's debt levels to remain low as city officials do not have significant additional borrowing plans. Officials are considering the implementation of a local option restaurant tax, proceeds of which would be earmarked for park planning and improvements. Future borrowing for this purpose would depend on passage of the local option restaurant tax. While the current offering is secured by the city's general obligation property tax pledge, McCracken has pledged to provide 50% of the debt service requirements.

#### KEY STATISTICS:

2000 estimated population: 26,307

FY 2003 full valuation: \$1.65 billion

FY 2003 full value per capita: \$62,638

Per capita income as % of state (1999): 101.8%

Median family income as % of state (1999): 83.3%

Debt burden: 2.1%

Payout of principal (10 years): 32%

FY03 General Fund balance: \$4.9 million (19.5% of General Fund revenues)

#### Analysts

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#### Contacts

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**MCCRACKEN COUNTY  
STATEMENT OF NET ASSETS**

**June 30, 2004**



**MCCRACKEN COUNTY  
STATEMENT OF NET ASSETS**

**June 30, 2004**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND RESOURCES</b>			
Cash in bank	\$ 6,284,257	\$ 13,967	\$ 6,298,224
Accounts receivable (net):			
Taxes	2,971,673		2,971,673
Intergovernmental	910,543		910,543
Other	46,788		46,788
Due from proprietary funds	7,000		7,000
Prepaid expenses	780,636		780,636
Nondepreciated capital assets:			
Land	1,376,582		1,376,582
Construction in progress	1,719,363		1,719,363
Depreciated capital assets (net):			
Buildings	14,764,694		14,764,694
Roads and infrastructure	37,839,500		37,839,500
Vehicles and Equipment		14,018	14,018
Furniture and equipment	980,264		980,264
<b>TOTAL ASSETS</b>	<b>67,681,300</b>	<b>27,985</b>	<b>67,709,285</b>
<b>LIABILITIES</b>			
Accounts payable	516,103	1,655	517,758
Due to governmental funds		7,000	7,000
Matured interest outstanding	124,404		124,404
Accrued payroll and related expenses	245,662		245,662
Deferred revenues	80,061		80,061
Long-term obligations:			
Due within one year:			
Outstanding bonds	205,000		205,000
Outstanding notes payable	195,000		195,000
Obligation under capital lease		6,722	6,722
Due beyond one year:			
Outstanding bonds	5,950,000		5,950,000
Notes payable	6,632,500		6,632,500
Landfill post-closure costs	4,125,000		4,125,000
Accrued compensated absences	368,915		368,915
Total Liabilities	18,442,645	15,377	18,458,022
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	48,025,403	7,296	48,032,699
Restricted for:			
Accrued compensated absences	368,915		368,915
Debt Service	618,527		618,527
Note proceeds for building construction	780,637		780,637
Unrestricted	(554,827)	5,312	(549,515)
Total Net Assets	\$ 49,238,655	\$ 12,608	\$ 49,251,263

The accompanying notes are an integral part of the financial statements.

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**MCCRACKEN COUNTY  
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2004**

**MCCRACKEN COUNTY  
STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2004**

	Program Revenues			
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 12,660,703	\$ 1,663,188	\$ 847,180	\$ 857,035
Public safety	2,512,030	1,346,369	540,118	
Health and sanitation	220,576	39,903		
Social services	980,751			
Recreation and culture	485,158	19,195		
Highways and streets	1,143,632		1,218,632	
Debt service	525,933			
Total Governmental Activities	18,528,783	3,068,655	2,605,930	857,035
Business-type Activities:				
Jail Canteen	79,350	54,316		
Total Business-type Activities	79,350	54,316		
Total Primary Government	\$ 18,608,133	\$ 3,122,971	\$ 2,605,930	\$ 857,035

**General Revenues:**

Taxes:

Property taxes, levied for general purposes

Occupational taxes

Transient room taxes

Miscellaneous:

Interest

Excess fees

Other

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**MCCRACKEN COUNTY**  
**STATEMENT OF ACTIVITIES**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (9,293,300)	\$	\$ (9,293,300)
(625,543)		(625,543)
(180,673)		(180,673)
(980,751)		(980,751)
(465,963)		(465,963)
75,000		75,000
(525,933)		(525,933)
(11,997,163)		(11,997,163)
	(25,034)	(25,034)
	(25,034)	(25,034)
(11,997,163)	(25,034)	(12,022,197)
4,643,577		4,643,577
4,264,948		4,264,948
525,084		525,084
56,368	58	56,426
231,658		231,658
1,174,264		1,174,264
10,895,899	58	10,895,957
(1,101,264)	(24,976)	(1,126,240)
50,339,919	37,584	50,377,503
\$ 49,238,655	\$ 12,608	\$ 49,251,263

The accompanying notes are an integral part of the financial statements.

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**MCCRACKEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2004**

**MCCRACKEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**

**June 30, 2004**

	<b>Major Funds</b>				
	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Sheriff Fund</b>	<b>Debt Service Fund</b>
<b>ASSETS</b>					
Cash in bank	\$ 5,504,298	\$	\$	\$	\$ 564,140
Accounts receivable (net)	3,326,943	221,129	202,182	46,788	
Due from other funds	26,323				
Due from proprietary fund			7,000		
Total Assets	<u>\$ 8,857,564</u>	<u>\$ 221,129</u>	<u>\$ 209,182</u>	<u>\$ 46,788</u>	<u>\$ 564,140</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	\$ 118,401	\$ 8,182	\$ 174,716	\$ 12,820	\$
Due to other funds	2,181				
Accrued payroll	77,515	24,534	79,290	64,324	
Deferred revenues	2,937,353				
Total Liabilities	<u>3,135,450</u>	<u>32,716</u>	<u>254,006</u>	<u>77,144</u>	
Fund Balances:					
Reserved for:					
Debt service					564,140
Other purposes					
Unreserved	<u>5,722,114</u>	<u>188,413</u>	<u>(44,824)</u>	<u>(30,356)</u>	
Total fund balances	<u>5,722,114</u>	<u>188,413</u>	<u>(44,824)</u>	<u>(30,356)</u>	<u>564,140</u>
Total Liabilities and Fund Balances	<u>\$ 8,857,564</u>	<u>\$ 221,129</u>	<u>\$ 209,182</u>	<u>\$ 46,788</u>	<u>\$ 564,140</u>

The accompanying notes are an integral part of the financial statements.

**MCCRACKEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2004**  
**(Continued)**

<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 215,819	\$ 6,284,257
99,080	3,896,122
2,181	28,504
	7,000
<u>\$ 317,080</u>	<u>\$ 10,215,883</u>
\$ 201,984	\$ 516,103
26,323	28,504
	245,663
<u>40,984</u>	<u>2,978,337</u>
<u>269,291</u>	<u>3,768,607</u>
54,387	618,527
(6,598)	(6,598)
<u></u>	<u>5,835,347</u>
<u>47,789</u>	<u>6,447,276</u>
<u>\$ 317,080</u>	<u>\$ 10,215,883</u>

The accompanying notes are an integral part of the financial statements.

**MCCRACKEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2004**  
**(Continued)**

**Reconciliation of the Balance Sheet-Governmental Funds to Statement of Net Assets:**

Total Fund Balances		\$ 6,447,276
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets are \$121,732,377 and the accumulated depreciation is \$65,051,974		56,680,403
Construction of capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		780,636
Deferred property taxes are not available for use under the modified accrual basis of accounting as reported in the governmental funds.		2,931,159
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds outstanding	\$ 6,155,000	
Accrued interest on bonds	124,404	
Notes payable	6,827,500	
Landfill post-closure costs	4,125,000	
Accrued sick leave payable	368,915	(17,600,819)
Net Assets Of Governmental Activities		<u>\$ 49,238,655</u>

The accompanying notes are an integral part of the financial statements.

**MCCRACKEN COUNTY  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2004**

**MCCRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2004**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Sheriff Fund</b>
<b>Revenues</b>				
Taxes	\$ 8,699,449	\$	\$	\$
Intergovernmental	196,463	1,003,298	259,114	8,726
Charges for services	775,001			
Fees and fines		202,951	1,119,341	1,192,341
Miscellaneous	1,213,909	940	347,965	15,034
Total Revenues	<u>10,884,822</u>	<u>1,207,189</u>	<u>1,726,420</u>	<u>1,216,101</u>
<b>Expenditures</b>				
Current:				
General government	5,355,110	344,135	2,134,070	1,970,070
Public safety	547,971		1,741,339	
Health and sanitation	223,700			
Social services	199,495			
Recreation and culture	160,667			
Highways and streets		1,177,610		
Debt service:				
Principal				
Interest and other charges				
Total Expenditures	<u>6,486,943</u>	<u>1,521,745</u>	<u>3,875,409</u>	<u>1,970,070</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,397,879</u>	<u>(314,556)</u>	<u>(2,148,989)</u>	<u>(753,969)</u>
<b>Other Financing Sources (Uses):</b>				
Operating transfers in	1,703,741	1,031,267	2,085,240	1,027,961
Operating transfers out	<u>(5,275,659)</u>	<u>(699,813)</u>		<u>(315,796)</u>
Total Other Financing Sources (Uses)	<u>(3,571,918)</u>	<u>331,454</u>	<u>2,085,240</u>	<u>712,165</u>
Net change in fund balances	825,961	16,898	(63,749)	(41,804)
Fund balances, July 1, 2003, as restated	<u>4,896,153</u>	<u>171,515</u>	<u>18,925</u>	<u>11,448</u>
FUND BALANCES, JUNE 30, 2004	<u><u>\$ 5,722,114</u></u>	<u><u>\$ 188,413</u></u>	<u><u>\$ (44,824)</u></u>	<u><u>\$ (30,356)</u></u>

The accompanying notes are an integral part of the financial statements.



**MCCRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<b>Debt Service Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$
235,420	1,084,107	8,699,449
		2,787,128
		775,001
		2,514,633
2,900	525,130	2,105,878
238,320	1,609,237	16,882,089
		9,803,385
	100,088	2,389,398
		223,700
	1,361,042	1,560,537
		160,667
		1,177,610
195,000	110,000	305,000
437,221	155,312	592,533
632,221	1,726,442	16,212,830
(393,901)	(117,205)	669,259
393,517	1,099,702	7,341,428
	(1,041,040)	(7,332,308)
393,517	58,662	9,120
(384)	(58,543)	678,379
564,524	106,332	5,768,897
\$ 564,140	\$ 47,789	\$ 6,447,276

The accompanying notes are an integral part of the financial statements.

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**MCCRACKEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2004**



**MCCRACKEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

**For The Year Ended June 30, 2004**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 678,379
Capital outlays	521,574
Depreciation expense	(3,031,184)
Donated capital	336,350
Transfers in Internal Service Fund	(9,120)
Accrued property tax receivable	209,078
Repayment of principal on long term debt	305,000
Accrued interest on long-term debt	464
Accrued long-term compensated absences	<u>(111,805)</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (1,101,264)</u></u>

The accompanying notes are an integral part of the financial statements.

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**MCCRACKEN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND**

**June 30, 2004**





**MCCRACKEN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND**

**June 30, 2004**

	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 13,967
Total Current Assets	<u>13,967</u>
Noncurrent Assets:	
Capital Assets:	
Furniture and equipment	47,544
Less Accumulated Depreciation	<u>(33,526)</u>
Total Noncurrent Assets	<u>14,018</u>
Total Assets	<u><u>\$ 27,985</u></u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts payable	\$ 1,655
Due to Governmental Fund	7,000
Obligation under capital lease	<u>6,722</u>
Total Current Liabilities	<u>15,377</u>
Noncurrent Liabilities	
Total Liabilities	<u>15,377</u>
<b>Net Assets</b>	
Investment in capital assets, net of related debt	7,296
Unrestricted	<u>5,312</u>
Total Net Assets	<u>12,608</u>
Total Liabilities and Net Assets	<u><u>\$ 27,985</u></u>

The accompanying notes are an integral part of the financial statements.

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**MCCRACKEN COUNTY  
STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**

**For The Year Ended June 30, 2004**



**MCCRACKEN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS**

**For The Year Ended June 30, 2004**

	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Jail Canteen Fund</b>	<b>Health Insurance Fund</b>
<b>Operating Revenues</b>		
Canteen Commission	\$ 54,316	\$
Total Operating Revenues	<u>54,316</u>	<u></u>
<b>Operating Expenses</b>		
Educational and recreational	41,113	
Personnel costs	28,000	
Depreciation expense	9,509	
Total Operating Expenses	<u>78,622</u>	<u></u>
Operating Income (Loss)	<u>(24,306)</u>	<u></u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	58	
Interest expense	(728)	
Total Nonoperating Revenues (Expenses)	<u>(670)</u>	<u></u>
Net Income (Loss) Before Transfers	<u>(24,976)</u>	
Transfers Out		<u>(9,120)</u>
Change in Net Assets	(24,976)	(9,120)
Net Assets, July 1, 2003, as restated	<u>37,584</u>	<u>9,120</u>
Net Assets, June 30, 2004	<u><u>\$ 12,608</u></u>	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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**MCCRACKEN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**For the Year Ended June 30, 2004**





**MCCRACKEN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**

**For the Year Ended June 30, 2004**

	<b>Enterprise Fund</b>	<b>Internal Service Fund</b>
	<b>Jail Canteen Fund</b>	<b>Health Insurance Fund</b>
<b>Cash Flows From Operating Activities</b>		
Commission earned	\$ 54,316	\$
Personnel costs	(28,000)	
Educational and recreational	(42,954)	
Net cash used by operating activities	<u>(16,638)</u>	
<b>Cash Flows From Noncapital Financing Activities</b>		
Transfers out		(9,120)
Net cash used by noncapital financing activities		<u>(9,120)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Interest expense	(728)	
Payment under capital lease obligation	(7,587)	
Net cash used by capital and related financing activities	<u>(8,315)</u>	
<b>Cash Flows From Investing Activities</b>		
Interest earned	58	
Net cash provided by investing activities	<u>58</u>	
Net decrease in cash and cash equivalents	(24,895)	(9,120)
Cash and cash equivalents, July 1, 2003	<u>38,862</u>	<u>9,120</u>
Cash and cash equivalents, June 30, 2004	<u>\$ 13,967</u>	<u>\$ 0</u>
<b>Reconciliation of Operating Income to Net Cash Used by Operating Activities</b>		
Operating Loss	\$ (24,306)	\$
Adjustment to Reconcile Operating Income To Net Cash Used By Operating Activities		
Decrease in Accounts Payable	(1,841)	
Depreciation Expense	<u>9,509</u>	
Net Cash Used By Operating Activities	<u>\$ (16,638)</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

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**MCCRACKEN COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**

**June 30, 2004**



**MCCRACKEN COUNTY**  
**STATEMENT OF FIDUCIARY NET ASSETS**

**June 30, 2004**

	<b>Agency Funds</b>			
	<b>Car Rental Tax Fund</b>	<b>Jail Inmate Fund</b>	<b>Unclaimed Monies Fund</b>	<b>Transient Room Tax Fund</b>
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 24,942	\$ 28,435	\$ 134,680	\$ 110,417
Total Assets	<u>24,942</u>	<u>28,435</u>	<u>134,680</u>	<u>110,417</u>
<b>LIABILITIES</b>				
Amounts Held In Custody For Others	<u>24,942</u>	<u>28,435</u>	<u>134,680</u>	<u>110,417</u>
Total Liabilities	<u>\$ 24,942</u>	<u>\$ 28,435</u>	<u>\$ 134,680</u>	<u>\$ 110,417</u>

The accompanying notes are an integral part of the financial statements.

# **INDEX FOR NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	57
NOTE 2.	PRIOR-PERIOD ADJUSTMENTS .....	65
NOTE 3.	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY .....	65
NOTE 4.	DISAGGREGATION OF ACCOUNTS PAYABLE AND ACCOUNTS RECEIVABLE.....	65
NOTE 5.	DEPOSITS .....	67
NOTE 6.	CAPITAL ASSETS .....	68
NOTE 7.	INTERFUND TRANSACTIONS AND BALANCES .....	69
NOTE 8.	EMPLOYEE RETIREMENT SYSTEM .....	70
NOTE 9.	DEFERRED COMPENSATION.....	71
NOTE 10.	LEASE AGREEMENTS .....	71
NOTE 11.	INSURANCE.....	72
NOTE 12.	RELATED ORGANIZATIONS.....	72
NOTE 13.	JOINT VENTURES .....	72
NOTE 14.	LONG-TERM DEBT .....	72
NOTE 15.	INTEREST ON LONG-TERM DEBT.....	76
NOTE 16.	LANDFILL CLOSURE AND POST-CLOSURE COSTS .....	76
NOTE 17.	SUBSEQUENT EVENTS .....	76
NOTE 18.	ESTIMATED INFRASTRUCTURE HISTORICAL COST .....	77
NOTE 19.	RELATED PARTY TRANSACTIONS.....	77

**MCCRACKEN COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2004**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**B. Reporting Entity**

For financial reporting purposes, the McCracken County Fiscal Court includes the funds, agencies, boards, and entities for which the fiscal court (primary government) is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the primary government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the fiscal court is financially accountable or whose exclusion would cause the financial statements to be misleading or incomplete.

Component units may be blended or discretely presented. Blended component units are those that either provides their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. Amounts related to blended component units are included as if the component unit was part of the primary government.

Blended Component Unit

The following legally separate organization provides their services exclusively to the primary government, and the fiscal court is able to impose its will on this organizations. This organization's balances and transactions are reported as though they are part of the primary government using the blended method.

**McCracken County Public Properties Corporation**

The McCracken County Fiscal Court appoints a voting majority of the Public Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the Public Properties Corporation. Financial information for the Public Properties Corporation is blended within McCracken County's financial statements. All activities of the Public Properties Corporation are accounted for within a major (debt service) fund.

McCracken County has no discretely presented component units.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Additional - McCracken County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

Kentucky law provides for election of the officials above from the geographic area constituting McCracken County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

**C. Government-Wide Financial Statements**

The Statement of Net Assets and Statement of Activities report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities are generally characterized by their use of taxes and intergovernmental revenues as funding sources. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in government-wide financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Therefore, deferred revenues are only reported for receipts of prepayments or revenues collected in advance (unearned revenues). Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues once provider-imposed eligibility requirements have been met.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities with the difference between the two shown as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.



**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-Wide Financial Statements (Continued)**

A significant feature of the government-wide statement of activities is the presentation of each program's net cost. GAAP require the reporting of a program's net cost to indicate how self-sustaining the program is and to reveal the extent of reliance on other governmental units. Net cost is obtained by subtracting programs expenses from program revenues. Program expenses are those costs attributable to a particular function.

Program revenues are resources that derive directly from the program itself or from parties outside the government that reduce the total expense of the benefiting functional activity to arrive at the net expense of the activity. The statement of activities categorizes program revenues into three groups: charges for goods, services, and other benefits; operating grants and contributions; and capital grants and contributions. Revenues not considered program revenues are classified as general revenues. General revenues include all taxes regardless of type.

**D. Fund Financial Statements**

The accompanying financial statements are structured into three fund categories including governmental funds, proprietary funds and fiduciary funds. Funds are characterized as either major or nonmajor. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds of the category or type (governmental or enterprise), and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

All governmental fund statements are accounted for on the modified accrual basis of accounting and focus on the flow of current financial resources. In accordance with the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the fiscal period. Revenues are considered to be available when they are either collected within the current period or their collection is expected shortly after the end of the current period in time to meet current liabilities. The county generally includes those revenues to be received up to 60 days following the end of the accounting period. Revenues expected to be collected after 60 days beyond the end of the accounting period are considered unavailable and are reported as deferred revenues. Deferred revenues also include amounts received but unearned as of June 30.

In governmental funds, where the focus is on the flow of current resources, expenditures are usually recorded at the time liabilities are incurred. Exceptions are: inventories, prepayments, and acquisition of capital assets which are recorded at the time of acquisition; principal and interest on long-term debt, as well as compensated absences which are recorded as expenditures in the period payment is made.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state, other counties for housing prisoners and transfers from the General Fund. The Governor's Office for Local Development requires the Fiscal Court to maintain these revenues and expenditures separately from the General Fund.

Sheriff Fund - The primary purpose of this fund is to account for the expenses of the sheriff's department. The primary sources of revenue for this fund are reimbursements from the state and fees and fines collected. The Fiscal Court has chose to maintain these revenues and expenditures separately from the General Fund.

Debt Service Fund - The primary purpose of this fund is to account for the accumulation of resources for, and the payment of general long-term debt principal and interest of the McCracken County Public Properties Corporation.

The primary government also has the following nonmajor governmental funds: Federal Grant Fund, Juvenile Justice Fund, State Grant Fund, Local Government Economic Assistance Fund, Carson Park Bleacher Fund, and Transient Room Holding Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Sheriff Fund, Federal Grant Fund, Juvenile Justice Fund, State Grant Fund, Local Government Economic Assistance Fund, and Carson Park Bleacher Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Funds:**

The Transient Room Holding Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Financial Statements (Continued)**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**Proprietary Funds**

Proprietary funds use the full accrual basis of accounting, recognizing revenues and expense when they occur, regardless of the timing of the cash flows. On the statement of revenues, expenses, and changes in net assets, the term “expenses” (not “expenditures” as in governmental funds on a modified accrual basis) describes the decrease in economic benefits and emphasizes the accrual basis of accounting.

Proprietary funds’ revenues and expenses are divided into operating and nonoperating revenues and expenses. Although not specifically defined by GAAP, operating revenues and expenses are considered to be those resources gained and consumed to produce and deliver goods and services that are central to that fund’s particular purpose. Other revenues and expenses are classified as nonoperating. Operating and nonoperating expense are further characterized by object (personal services, depreciation expense, etc.).

Furthermore, the government has adopted the provisions of GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that use Proprietary Fund Accounting.” As permitted by GASB Statement No. 20, the government’s proprietary fund has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the revenues and expenses of the Jail Canteen Fund.

**Internal Service Fund**

The primary government reports the following internal service fund:

Health Insurance Fund – The Fiscal Court maintains this internal service fund to account for the health insurance provided for other funds, on a cost reimbursement basis. However, beginning with July 1, 2002, the County terminated the self-insurance fund and began providing health insurance through the State of Kentucky. As of July 1, 2003, \$9,120 remained in the Health Insurance Fund; this money was transferred to the General Fund during fiscal year ending June 30, 2004.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Financial Statements (Continued)**

**Fiduciary Funds**

Fiduciary funds are defined as funds used to report assets held in a trustee or agency capacity for others which, therefore, cannot be used to support the government's own programs. This category of funds includes agency funds. The government's fiduciary funds types are described below.

Agency Funds account for monies held by the County for custodial purpose only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus. However, the agency fund uses the accrual basis of accounting when recognizing payables and receivables.

The Agency funds of McCracken County are the Car Rental Tax Fund, Unclaimed Monies Fund, Jail Inmate Fund, and the Transient Room Tax Fund.

As discussed previously, because the fiduciary fund resources are not available to support government programs, fiduciary funds are excluded from the government-wide financial statements. Inclusion of these funds would create a misleading view of the government's position and result of activities.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents are reported at cost.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). However, McCracken County did not have any investments as of June 30, 2004.

**F. Receivables**

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, grants and other similar intergovernmental revenues since they are usually both measurable and available. Non-exchange transactions collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Disaggregation of accounts receivable are shown in Note 4.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 7 for details of interfund transactions, including receivables and payables at year-end.

**H. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government’s capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Fund financial statements for governmental funds expense capital assets when purchased. Such assets are recorded at historical cost, or estimated historical cost when purchased or constructed, or fair market value at the time of donation.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized.

Assets are depreciated on the straight-line basis over their estimated useful lives. The table below shows the useful life by asset type.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 20,000	20
Buildings/Building Improvements	20,000	50
Machinery and Equipment	10,000	10
Vehicles	10,000	5
Office Equipment	10,000	5
Infrastructure	20,000	15-50

**I. Fund Equity Reserves and Designations**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court’s intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and long-term receivables.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Deferred Revenue**

Deferred revenues are treated as liabilities in the governmental funds until all requirements for revenue recognition are met.

**K. Long-Term Obligations**

**Long-Term Debt**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**Compensated Absences**

The County's policies regarding vacation time permit employees to accumulate earned but unused vacation and sick leave. Accumulated vacation leave is paid upon termination or retirement. The liability for accumulated vacation leave is recorded as long-term debt in the government-wide statements. Accumulated sick leave is not recorded due to the contingent nature of the liability. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

**L. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 2. Prior-Period Adjustments**

The net assets as previously reported have been restated or reclassified to conform to generally accepted accounting principles and to correct balance for erroneously recorded transactions.

	Governmental Activities	Business-Type Activities
June 30, 2003, Net Assets	\$57,881,402	\$
Prior Year Equipment/Depreciation Not Reported	244,473	
Correction of Prior Period Depreciation Errors	(8,023,737)	
Fund Previously Not Included in Financial Statements		37,584
Compensated Absences Accrued in Error	237,781	
	<u>\$50,339,919</u>	<u>\$ 37,584</u>
July 1, 2003, Net Assets, as Restated	<u>\$50,339,919</u>	<u>\$ 37,584</u>

Beginning fund balance for the Internal Service Fund was previously reported as zero, but was restated as \$9,120 due to the correction of an error.

Budgetary comparison schedules were reported on a GAAP basis for the year ended June 30, 2003. These schedules were reported on the budgetary basis (cash basis) for the current year. Beginning fund balances for these funds were restated to reflect budgetary basis.

**Note 3. Stewardship, Compliance, and Accountability**

By its nature as a local government unit, the County is subject to various federal, state, and local laws and contractual regulations. The government-wide and fund financial statements serve as an analysis of the County's compliance with significant laws and regulations and demonstrate its stewardship over County resources.

The County complies with all federal, state, and local laws and regulations requiring the use of separate funds.

**Note 4. Disaggregation of Accounts Payable and Accounts Receivable**

Accounts payable of the government is amounts owed by the county as of June 30, 2004. Those liabilities that must be paid within one year are considered current. Amounts due after one year are deemed noncurrent accounts payable. Accounts receivable are amounts owed to the government. Similar to accounts payable, any amounts to be received within one year are classified as current. All other receivables are noncurrent. For Governmental Activities and Business-Type Activities, the line indicating "Accounts Payable" and "Net Receivables" are described below.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 4. Disaggregation of Accounts Payable and Accounts Receivable (Continued)**

Under the modified accrual basis of accounting, as used in the fund statements, amounts outstanding but owed at the end of the year may be recorded in one of two ways. If the receivable is measurable and expected to be collected within 60 days, revenue is recognized. However, if the receivable is not expected to be collected within 60 days, it is not considered to be available to liquidate the liabilities of the current period and will be reported as deferred revenue. Furthermore, unearned revenue is always reported as deferred revenue. Deferred revenue is reported as a liability until meeting the criteria for revenue recognition.

Accounts Receivable	Governmental Activities		Total Governmental Activities
	Major Funds	Non-Major Funds	
Taxes	\$ 3,031,442	\$	\$ 3,031,442
Excess Fees	287		287
License and Permits	61,025		61,025
Intergovernmental	660,831	99,080	759,911
Charges for Services	7,907		7,907
Miscellaneous Revenues	35,550		35,550
Total Accounts Receivable	<u>\$ 3,797,042</u>	<u>\$ 99,080</u>	<u>\$ 3,896,122</u>

Accounts Payable	Governmental Activities			Business-Type Activities	
	Major Funds	Non-Major Funds	Total Governmental Activities	Major Fund	Total Primary Government
General Government	\$ 62,149		\$ 62,149		\$ 62,149
Protection to Persons and Property	227,792	11,098	238,890	1,655	240,545
General Health and Sanitation	5,676		5,676		5,676
Social Services	1,450	190,886	192,336		192,336
Recreation and Culture	8,870		8,870		8,870
Road	8,182		8,182		8,182
Total Accounts Payable	<u>\$ 314,119</u>	<u>\$ 201,984</u>	<u>\$ 516,103</u>	<u>\$ 1,655</u>	<u>\$ 517,758</u>



**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 5. Deposits**

The County maintains deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the County's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the county's agent in the county's name, or provided surety bond which named the county as beneficiary/obligee on the bond.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county at year-end.

	<u>Bank Balance</u>
Insured by FDIC	\$ 258,502
Collateralized with securities held by pledging depository Institution in the County's name	<u>6,302,723</u>
Total	<u><u>\$ 6,561,225</u></u>

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Capital Assets**

Capital asset activity for the year ended June 30, 2004 was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
<b>Primary Government:</b>			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Construction in Progress	\$	\$ 1,719,363	\$
Land and Land Improvements	1,040,232	336,350	
Total Capital Assets Not Being Depreciated	1,040,232	2,055,713	
Capital Assets, Being Depreciated:			
Buildings	27,927,145		27,927,145
Furniture and Equipment	3,369,453	623,005	3,992,458
Infrastructure	86,716,829		86,716,829
Total Capital Assets Being Depreciated	118,013,427	623,005	118,636,432
Less Accumulated Depreciation For:			
Buildings	(12,752,564)	(409,887)	(13,162,451)
Furniture and Equipment	(2,765,247)	(246,947)	(3,012,194)
Infrastructure	(46,502,979)	(2,374,350)	(48,877,329)
Total Accumulated Depreciation	(62,020,790)	(3,031,184)	(65,051,974)
Total Capital Assets, Being Depreciated, Net	55,992,637	(2,408,179)	53,584,458
Governmental Activities Capital Assets, Net	<u>\$ 57,032,869</u>	<u>\$ (352,466)</u>	<u>\$ 56,680,403</u>
<u>Business-Type Activities:</u>			
Capital Assets, Being Depreciated:			
Vehicles & Equipment	\$ 47,544	\$	\$ 47,544
Total Capital Assets Being Depreciated	47,544		47,544
Less Accumulated Depreciation For:			
Vehicles & Equipment	(24,017)	(9,509)	(33,526)
Total Accumulated Depreciation	(24,017)	(9,509)	(33,526)
Total Capital Assets, Being Depreciated, Net	23,527	(9,509)	14,018
Business-Type Activities Capital Assets, Net	<u>\$ 23,527</u>	<u>\$ (9,509)</u>	<u>\$ 14,018</u>

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 6. Capital Assets (Continued)**

Depreciation expense was charged to the function of general government as follows:

<u>Governmental Activities:</u>	
General Government-	
General Fund	\$ 204,904
Road Fund	2,516,875
Jail Fund	200,975
Sheriff Fund	91,825
Federal Grant Fund	<u>16,605</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,031,184</u>
<u>Business-Type Activities:</u>	
Jail Canteen	<u>\$ 9,509</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 9,509</u>

**Note 7. Interfund Transactions and Balances**

Individual Fund Operating Transfers

Operating transfers during the year ended June 30, 2004, were as follows:

<u>Fund</u>	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>
General Fund	\$ 1,703,741	\$ 5,275,659
Road Fund	1,031,267	699,813
Jail Fund	2,085,240	
Sheriff Fund	1,027,961	315,796
Federal Grant Fund	241,633	251,211
Juvenile Justice Fund	95,949	10,328
State Grant Fund	762,120	709,324
Local Government Economic Assistance Fund		12,382
Carson Park Bleacher Fund		57,795
Health Insurance Fund		9,120
Debt Service Fund	<u>393,517</u>	
Totals	<u>\$ 7,341,428</u>	<u>\$ 7,341,428</u>

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 7. Interfund Transactions and Balances (Continued)**

Due To/From Balances

Receivable Fund	Payable Fund	Amount
General Fund	Federal Grant Fund	\$ 26,323
State Grant Fund	General Fund	2,181
Jail Fund	Jail Canteen Fund	7,000

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 8. Employee Retirement System**

The County has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent. These actuarially determined rates are established and amended by the Board of Trustees of the system and were equal to the required contributions for the year. The contribution requirements and the amounts contributed to CERS were \$973,610, \$995,923, and \$1,022,935, respectively, for the years ended June 30, 2004, 2003, and 2002.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 9. Deferred Compensation**

On November 9, 1982, the McCracken County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862.

**Note 10. Lease Agreements**

On May 18, 1999, the County entered into a lease agreement with Rape Victim Services for a building in which to conduct the activities of Rape Victim Services, Inc. The lease is for 99 years beginning in July 1999. The lessee agreed to pay the County one dollar on or before January 1 of each year.

On February 21, 2003, the County entered into a lease agreement with the Family Service Society, Inc. for a building in which to conduct the activities of the Family Service Society, Inc. The lease is for five years beginning on February 21, 2003, and ending on February 21, 2008, or terminating on such date as the property is transferred from the McCracken County Fiscal Court to Family Service Society, Inc. The lessee agreed to pay the County one dollar on or before February 21 of each year.

On June 1, 2004, the City of Paducah (City) and County entered into a lease agreement with the Paducah McCracken County Industrial Development Authority. The leased property is an approximately 100,000 square foot building located in Industrial Park West. This project was financed with the City's General Obligation Public Project Bonds, Series 2004, dated June 1, 2004, and the County's issuance of a note payable to the City for 50 percent of the project in the principal amount of \$2,500,000. The lease period commenced with the issuance of the bonds and ends on August 15, 2014. Lease payments are solely derived from revenues received from a sublease and are expected to be as follows:

Fiscal Year Ended June 30	Total Payment
2008	\$ 338,162
2009	405,795
2010-2014	<u>6,053,105</u>
Totals	<u><u>\$ 6,797,062</u></u>

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 11. Insurance**

For the fiscal year ended June 30, 2004, McCracken County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 12. Related Organizations**

County officials are also responsible for appointing the members of boards of other organizations, but the County's accountability for these organizations does not extend beyond appointing authority. The organizations listed below are notable related organizations, which have not been included in the County's report.

Paducah-McCracken County Convention Center	Hendron Fire District
Paducah-McCracken County Visitors Bureau	Concord Fire Protection District
McCracken County Extension District	McCracken County Public Library
Paducah-McCracken County Joint Sewer Agency	West McCracken Fire District
West McCracken Water/Sewer District	Hendron Water District
Paducah-McCracken County Senior Citizens Center	Lone Oak Fire District
Paducah-McCracken County Industrial Dev. Authority	Reidland-Farley Fire District

**Note 13. Joint Ventures**

The County participates in several separate activities that are subject to joint control in which the County maintains an ongoing financial interest and responsibility. The following is a list of joint ventures in which the County is a participant.

- Paducah-McCracken County 911
- McCracken and Paducah Geographic Information System
- Paducah-McCracken County Telecommunications/Information

Financial information relating to these joint ventures can be obtained in the separate audit of the City of Paducah, Kentucky.

**Note 14. Long-term Debt**

**A. General Obligation Note Payable**

On June 1, 2001, the County issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$4,645,000. The note was authorized for the purpose of financing the County's contributions to the construction of additions and renovations to the Julian Carroll Convention Center and the construction of a new Four Rivers Center for the Performing Arts and for paying necessary expenses incidental to the Projects and the issuance of the City's General Obligation Bonds (the City's Bonds), Series 2001, dated June 1, 2001, in the principal amount of \$9,290,000. The note has interest rates of 3.5% to 5% and interest payments are to be made semi-annually beginning December 1, 2001. Principal payments are to be made annually on June 1 with final payment due June 1, 2026.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 14. Long-term Debt (Continued)**

**A. General Obligation Note Payable (Continued)**

Under the provisions of KRS 91A.392, the County is entitled to levy and collect a transient room tax in the amount of 6% for the rent of rooms by motels, motor courts, hotels, inns and similar accommodation businesses for the benefit of the Paducah-McCracken County Tourist and Convention Commission (the Bureau) and the Paducah-McCracken County Convention Corporation (the Corporation). The County has entered into a certain Interlocal Cooperation Compact (the Compact) with the City, the Bureau, and the Corporation pursuant to KRS 65.210 through 65.300 (the Interlocal Cooperation Act). Under the terms of the Compact, the parties have agreed that 33 1/3% of the Room Tax (the Pledged Tax) shall be assigned to the City and pledged to the payment of the City's Bonds. In addition, the Compact provides that the difference between the annual principal and interest requirements of the City's Bonds and the pledged tax shall be borne equally by the County, the City and the Bureau. Therefore, the principal and interest payments due on the Note from the County to the City shall each year be subject to a credit in favor of the County equal to the total of (a) the Pledged Tax, plus (b) 33 1/3% of the Overage to be paid by the Bureau, plus (c) 33 1/3% of the Overage to be paid by the City.

The future note payments shown below are the maximum that would be paid by the County in the event that the room tax levied were to be declared unconstitutional. The future payments are as follows:

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total Payment
2005	\$ 115,000	\$ 173,100	\$ 288,100
2006	117,500	168,500	286,000
2007	122,500	163,800	286,300
2008	130,000	158,900	288,900
2009	135,000	153,700	288,700
2010-2014	775,000	769,061	1,544,061
2015-2019	1,000,000	606,219	1,606,219
2020-2024	1,305,000	354,919	1,659,919
2025-2026	627,500	47,500	675,000
Totals	<u>\$ 4,327,500</u>	<u>\$ 2,595,699</u>	<u>\$ 6,923,199</u>

**B. General Obligation Bonds Payable**

On September 27, 1995, the County sold Public Project Revenue Bonds (Court Facilities Project), Series 1995 (the Bonds) through the McCracken County, Kentucky Public Properties Corporation. The Bonds originally totaled \$7,290,000 and the proceeds were used to construct an approximately 43,000 square foot addition to the McCracken County Courthouse, to partially renovate the existing 41,000 square foot courthouse, to fund a Debt Service Reserve Fund, and to pay for the cost of issuance of the Bonds. The Bonds, which are dated September 1, 1995, have interest rates of 5.875% to 5.90% and mature beginning in September 1997 through September 2026.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 14. Long-term Debt (Continued)**

**B. General Obligation Bonds Payable (Continued)**

The Kentucky Administrative Office of the Courts (A.O.C.) has agreed to pay \$235,420 annually to the paying agent on behalf of the County as required by a Use and Sublease Agreement between the County and the A.O.C. dated October 18, 1995.

If the payment from the Sublease Agreement is not sufficient to meet the principal and interest requirements of the bonds, the County is contingently liable for the Administrative Office of the Court's payments. The future payments are as follows:

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total Payment
2005	\$ 205,000	\$ 357,097	\$ 562,097
2006	215,000	344,708	559,708
2007	230,000	331,580	561,580
2008	245,000	317,568	562,568
2009	260,000	302,670	562,670
2010-2014	1,550,000	1,256,995	2,806,995
2015-2019	1,525,000	757,412	2,282,412
2020-2024	1,095,000	413,739	1,508,739
2025-2027	830,000	75,520	905,520
Totals	<u>\$ 6,155,000</u>	<u>\$ 4,157,289</u>	<u>\$ 10,312,289</u>

**C. General Obligation Note Payable**

On May 1, 2004, the County issued a note payable to the City of Paducah, Kentucky (City) in the amount of \$2,500,000. The note was authorized for the purpose of financing the County's contributions to the acquisition, construction and installation of an approximately 100,000 square foot building to be leased by the City and County to the Paducah McCracken Industrial Development Authority and the issuance of the City's General Obligation Public Project Bonds, Series 2004, dated June 1, 2004, in the principal amount of \$5,000,000. The note has interest rates of 2.25% to 6% and interest payments are to be made semi-annually beginning December 1, 2004. Principal payments are to be made annually on June 1 with the final payment due on June 1, 2024. The future payments are as follows:



**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 14. Long-term Debt (Continued)**

**C. General Obligation Note Payable (Continued)**

Fiscal Year Ended June 30	Governmental Activities		
	Principal	Interest	Total Payment
2005	\$ 80,000	\$ 132,390	\$ 212,390
2006	80,000	130,590	210,590
2007	82,500	128,190	210,690
2008	87,500	125,302	212,802
2009	90,000	121,803	211,803
2010-2014	515,000	540,228	1,055,228
2015-2019	675,000	385,162	1,060,162
2020-2024	890,000	166,106	1,056,106
Totals	<u>\$ 2,500,000</u>	<u>\$ 1,729,771</u>	<u>\$ 4,229,771</u>

**D. Jail Commissary Van**

On April 21, 2002, the McCracken County Jail Commissary entered into a lease agreement with GMAC for the purchase of a van. The principal was \$22,544 at an effective interest rate of 6.70 percent for a period of 3 years, with payments due monthly. The principal outstanding as of June 30, 2004, was \$6,722. Future principal and interest payments are as follows:

Fiscal Year Ended June 30	Business-Type Activities		
	Principal	Interest	Total Payment
2005	<u>\$ 6,722</u>	<u>\$ 208</u>	<u>\$ 6,930</u>

**E. Letter of Credit**

The County has issued an irrevocable standby Letter of Credit in the amount of \$300,000 to secure a note payable for the Greater Paducah Economic Development Council (GPEDC) for the construction of a speculation building that had been built in the McCracken County Information Age Park.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 14. Long-term Debt (Continued)**

**F. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b><u>Governmental Activities:</u></b>					
Bonds Payable	\$ 6,350,000	\$	\$ 195,000	\$ 6,155,000	\$ 205,000
Landfill Post-Closure	4,125,000			4,125,000	
Accrued Compensated Absences	257,110	111,805		368,915	
Note Payable	4,437,500	2,500,000	110,000	6,827,500	195,000
Governmental Activities Long-Term Liabilities	<u>\$ 15,169,610</u>	<u>\$ 2,611,805</u>	<u>\$ 305,000</u>	<u>\$ 17,476,415</u>	<u>\$ 400,000</u>
<b><u>Business-Type Activities:</u></b>					
Financing Obligations	<u>\$ 14,309</u>	<u>\$</u>	<u>\$ 7,587</u>	<u>\$ 6,722</u>	<u>\$ 6,722</u>
Business-Type Activities Long-Term Liabilities	<u>\$ 14,309</u>	<u>\$</u>	<u>\$ 7,587</u>	<u>\$ 6,722</u>	<u>\$ 6,722</u>

**Note 15. Interest On Long-term Debt**

Debt Service on the Statement of Activities includes \$524,186 in interest on bonds.

**Note 16. Landfill Closure and Post-Closure Costs**

The County landfill closed to the public on June 30, 1995. McCracken County must comply with established state and federal landfill closure procedures and must perform maintenance and monitoring procedures at the site for 30 years after closure. The 30-year period will begin upon approval from the Commonwealth of Kentucky regarding the environmental condition of the landfill site. As of June 30, 2003, approval had not yet been granted. Estimated post-closure care costs total \$4,125,000 or \$125,000 per year plus 10% for inflation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. It is anticipated that post-closure costs will be paid out of the General Fund to the extent that funds are available with any excess costs being funded using long-term borrowing.

**Note 17. Subsequent Events**

The McCracken County Public Properties Corporation issued Bonds dated August 1, 2004, for the purpose of refunding the outstanding McCracken County Public Properties Corporation Public Project Revenue Bonds (Courts Facility Project) Series 1995 maturing on September 1, 2004 through September 1, 2026. The issue amount of the bonds was \$6,025,000. Interest on the bonds will be payable semi-annually on March 1 and September 1 of each year commencing March 1, 2005. The bonds will mature on September 1 of each year thereafter.

**MCCRACKEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2004**  
**(Continued)**

**Note 17. Subsequent Events (Continued)**

The McCracken County Fiscal Court entered into a lease agreement with the Kentucky Association of Counties on September 20, 2004 in the amount of \$550,000 for the purpose of financing the construction of a rail spur in the Industrial Park West and the replacement of the Jail's roof. This is a variable rate lease with payments due the 20<sup>th</sup> of each month. Final payment is due on August 20, 2009. The County signed an inter-local agreement with the City to equally share the debt service on the rail spur. The City of Paducah remits one-half of the lease payment each month.

At June 30, 2004, the County had an irrevocable standby Letter of Credit in the amount of \$300,000 to secure a note for the Greater Paducah Economic Development Council (GPEDC) for the construction of a speculative building that had been built in the Information Age Park. The City of Paducah had also pledged security in the same amount. That letter of credit was due to expire on December 31, 2004, and because the spec building had not been sold, the note was refinanced. On December 16, 2004, the Paducah-McCracken County Industrial Development Authority Economic Development Refunding and Improvement Revenue Notes, Series 2004 were approved, with both the City of Paducah and McCracken County Fiscal Court serving as guarantors. The total amount of the note may not exceed more than \$700,000. This is a variable rate 5-year note, with quarterly interest payments only due for the first two years. After that, monthly principal and interest payments will be made. The final balloon payment is due in the 60th month of the note. An agency agreement was signed between the County and the Industrial Development Authority assigning the County oversight of the financial activity of this project.

The Industrial Development Authority has financed a total of \$700,000 for the purpose of construction of a new speculative building. The entire loan balance will be due within 60 days of the sale or lease of the facility or within six years from the date of proceeds disbursement. The City of Paducah and the McCracken County Fiscal Court will serve as guarantors for this debt. The County intends to contribute an additional \$300,000 to be obtained through Kentucky Association of Counties Leasing Trust. An inter-local agreement has been signed between the City and the County, obligating the City for one-half of this debt. Any construction costs over the \$1,000,000 will be divided equally between the City and the County using cash on hand. The County signed an agency agreement with the Industrial Development Authority assigning the County oversight of the financial activity of this project.

**Note 18. Estimated Infrastructure Historical Cost**

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction to arrive at estimated historical cost.

**Note 19. Related Party Transactions**

The County paid Emergency Equipment Specialists, Inc., which is owned by a deputy of the Sheriff's department, \$43,029 for the installation of equipment for the Sheriff's department.

The McCracken County Fiscal Court paid \$10,000 to D & D Construction for Willow Lake Subdivision Development Drainage Project. D & D Construction is partially owned by David Freeman, who is the brother of Commissioner Ronnie Freeman. Commissioner Freeman did not vote on this transaction.

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**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**



**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**

**For The Year Ended June 30, 2004**

	General Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues:				
Taxes:				
Property	\$ 3,405,000	\$ 3,405,000	\$ 3,606,317	\$ 201,317
Payroll	4,100,000	4,100,000	4,118,666	18,666
Payments in lieu of taxes	605,000	605,000	782,177	177,177
Total Taxes	8,110,000	8,110,000	8,507,160	397,160
Intergovernmental:				
Intergovernmental	110,000	110,000	186,087	76,087
Total Intergovernmental	110,000	110,000	186,087	76,087
Charges for services:				
County Clerk - excess fees	28,676	28,676	216,416	187,740
County Attorney - excess fees	335,000	335,000	24,720	(310,280)
Licenses and permits	266,000	266,000	393,543	127,543
Charges for services	185,000	185,000	165,319	(19,681)
Total Charges for Services	814,676	814,676	799,998	(14,678)
Miscellaneous:				
Interest	65,000	65,000	52,782	(12,218)
Rent	175,000	175,000	225,509	50,509
Child Support salary reimbursement			409,773	409,773
Other	223,000	223,000	503,921	280,921
Total Miscellaneous	463,000	463,000	1,191,985	728,985
Total Revenues	9,497,676	9,497,676	10,685,230	1,187,554

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	General Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Expenditures:				
General Government:				
Office of County Judge/Executive:				
Salaries:				
County Judge/Executive	\$ 81,968	\$ 81,968	\$ 79,528	\$ 2,440
Deputy County Judge/Executive	33,598	33,598	32,306	1,292
Secretary	26,503	26,503	25,483	1,020
Office materials and supplies	5,000	5,000	3,576	1,424
Office equipment	3,500	3,500	850	2,650
Office of County Attorney:				
Salaries:				
County Attorney	41,362	41,362	40,130	1,232
Assistant	35,530	35,530	34,348	1,182
Supervisor	27,972			
Secretaries	78,745	101,380	101,380	
Child support staff	248,075	303,067	303,067	
Office supplies	100	100	50	50
Office of County Clerk:				
County Clerk salary	600	600	600	
Legal notices, recording, and court cost	50,000	56,239	56,238	1
Office of County Coroner:				
Salaries:				
County Coroner	44,166	44,166	42,821	1,345
Deputy Coroners	16,400	16,400	15,767	633
Incentive pay	3,000	3,000		3,000
Contract labor	1,000	1,000	200	800
Autopsies and attendant service	10,000	10,000	9,909	91
Supplies and materials	2,500	4,236	4,235	1
Uniforms	1,000	1,000	751	249
Registrations, conferences, and training	2,500	2,500	532	1,968
Travel	4,500	4,500	3,940	560
Other equipment	3,000	3,000	1,281	1,719



**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	General Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Expenditures: (Continued)				
General Government: (Continued)				
Fiscal Court:				
Commissioners:				
Salaries	\$ 58,514	\$ 58,514	\$ 53,767	\$ 4,747
Incentive pay	10,000	15,201	15,201	
Advertising	8,500	11,417	11,417	
Courthouse consultants	72,500	76,791	76,790	1
Data processing services	30,000	70,032	70,032	
Office supplies	35,000	21,838	21,838	
Memberships	7,000	10,950	10,950	
Memberships KACO	2,200	2,200	1,700	500
Postal charges	20,000	11,358	11,358	
Registrations, conferences, and training	15,000	15,000	14,566	434
Motor vehicles	200,000	161,948	161,947	1
Office of Property Valuation:				
Administration:				
Statutory contribution	101,300	101,300	101,298	2
Board of assessment	500	500	300	200
Office of County Treasurer:				
County Treasurer salary	38,912	38,912	37,275	1,637
Office materials and supplies	2,000	2,000	1,388	612
Registration conferences and training	1,500	1,500	286	1,214
Office equipment	2,000	2,000	252	1,748
Assistant County Treasurer	2,000	2,000		2,000
Finance officer	33,598	33,598	32,305	1,293
Office of Tax Administrator:				
Salaries:				
Supervisor	42,271	42,271	40,645	1,626
Assistant supervisor	29,153	29,153	28,031	1,122
Clerk	23,254	23,254	22,358	896
Office materials and supplies	6,500	6,500	2,161	4,339
Travel	1,500	2,426	2,425	1
Office equipment	2,100	1,815		1,815
Data processing development	250,000	197,576	197,576	

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	General Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Expenditures: (Continued)				
General Government: (Continued)				
County Law Library:				
Law Librarian salary	\$ 1,200	\$ 1,200	\$ 1,200	
Elections:				
Board Members' fees	100	100		\$ 100
Per diem:				
Election officers	50,000	36,525	36,525	
Election commissioners	3,360	3,360	1,820	1,540
Tabulators	4,800	4,800	925	3,875
Per diem and fees	11,000	12,940	12,940	
Advertising	12,000	12,000	8,247	3,753
Maintenance and repairs - voting				
machines	1,000	1,840	1,840	
Polling places	3,600	3,600	2,880	720
Supplies and materials	18,500	18,500	17,784	716
Printing	60,000	39,794	39,794	
Renewals and repairs	100	1,245	1,244	1
Economic Development:				
Chamber of Commerce	17,500	12,500	12,500	
Planning Commission salaries	2,640	2,640	2,640	
Greater Paducah Economic				
Development Council	200,000	255,000	255,000	
Other		256,113	256,113	
County Administrator:				
Salaries:				
County Administrator	71,777	71,777	69,016	2,761
Office supplies	1,500	3,573	3,572	1
Travel	2,000	2,000	990	1,010
Office equipment	1,500	619	619	

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	General Fund				Variance With Final Budget Over (Under)			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)					
	Original	Final						
Expenditures: (Continued)								
General Government: (Continued)								
Courthouse:								
Salaries:								
Custodial personnel	\$	43,654	\$	34,205	\$	20,987	\$	13,218
Maintenance and grounds salaries		42,250		62,166		62,165		1
Overtime pay		5,000		5,000		907		4,093
Janitorial services		10,000						
Custodial supplies		15,000		15,233		15,232		1
Office supplies		100		100				100
Uniforms		3,000		3,000		2,222		778
Renewals and repairs		85,000		59,986		59,986		
Utilities		125,000		125,000		121,744		3,256
New equipment		50,000						
Courthouse Security:								
Salaries:								
Supervisor		40,771						
Secretary		25,400		25,400		25,108		292
Security staff		125,000		97,462		97,462		
Equipment		5,000		5,000		1,161		3,839
Office supplies		2,000		2,000		18		1,982
Uniforms		2,000		2,000		1,664		336
Administration:								
General services:								
Audit services		30,000		42,381		42,381		
Purchase Area Development								
District		7,500		7,500		7,207		293
Contributions		5,700		5,700		2,700		3,000
Insurance:								
Buildings and contents		101,200		101,200		101,200		
Errors and omissions		31,625		31,625				31,625
Liability		63,250		63,250		63,250		
Fidelity & surety		2,750		2,750				2,750
Professional liability		82,500		82,500		58,936		23,564
Vehicles and equipment		146,300		146,300		146,300		

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	General Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Expenditures: (Continued)				
General Government: (Continued)				
Administration: (Continued)				
Telephone	\$ 100,000	\$ 100,000	\$ 96,563	\$ 3,437
Miscellaneous	1,000	248,491	248,963	(472)
Fringe benefits:				
County contributions:				
Social Security	225,000	260,819	259,897	922
Retirement	200,000	200,921	200,920	1
Health insurance	242,000	1,080,000	1,064,369	15,631
Unemployment insurance	29,000	29,000	13,038	15,962
Workmen's compensation	55,000	55,000	55,000	
Total General Government	4,080,898	5,352,818	5,167,887	184,931
Public Safety:				
Building and Electrical Inspection				
Department:				
Salaries:				
Deputy	70,064	70,064	67,368	2,696
Supervisor	42,271	42,271	40,645	1,626
Secretary	23,253	23,253	22,359	894
Law enforcement	5,000	18,257	9,806	8,451
Motor vehicle parts	3,500	4,712	4,712	
Office materials and supplies	3,000	4,966	4,965	1
Registrations, conferences, and training	3,500	3,366	1,907	1,459
Travel	3,500	3,500	2,697	803
Office equipment	2,000	2,000	1,499	501
Code enforcement director	23,500	33,246	33,245	1
Emergency materials and supplies	500	1,500	1,499	1
Uniforms	250	323	322	1
Travel	1,200	1,939	1,938	1

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	General Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Expenditures: (Continued)				
Public Safety: (Continued)				
Department of Emergency Services:				
Salaries:				
Supervisor	\$ 36,000	\$ 36,000	\$ 35,484	\$ 516
Supplies and materials	39,000	47,450	48,796	(1,346)
Renewals and repairs	3,500	12,385	12,385	
Utilities	6,000	7,980	7,980	
Communication equipment	14,000	33,827	33,727	100
Other equipment	12,000	14,894	14,893	1
Ambulance service:				
Emergency 911	238,000	146,844	146,274	570
Forestry Fire Protection:				
Forest resource services	1,000	1,000	992	8
Public defender allotment	8,190	8,190	8,189	1
Total Public Safety	539,228	517,967	501,682	16,285
Health and Sanitation:				
Dog control:				
Dog Warden	25,753	31,338	31,337	1
Temporary/part-time help	1,500	1,500	549	951
Animal food and supplies	4,000	28,185	28,184	1
Uniforms	500	959	959	
Motor vehicle parts	5,000	5,343	5,343	
Contributions - Humane Society	8,800	9,208	9,208	
Travel	3,000	3,000	2,286	714
Sanitary Landfill:				
Engineering services	20,000	47,738	47,738	
Evaluation and testing	60,000	33,751	33,751	
Explosive and drilling services	10,000			
Solid waste	30,000	30,101	30,100	1
Registrations, conferences, and training	1,000	1,000		1,000
Utilities	4,000	4,000	3,682	318
Soil Conservation:				
Contribution	25,000	25,000	25,000	
Total Health and Sanitation	198,553	221,123	218,137	2,986

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	General Fund			Actual Amounts (Budgetary Basis)	Variance With Final Budget Over (Under)
	Budgeted Amounts				
	Original	Final			
Expenditures: (Continued)					
Social Services:					
Service to indigents:					
Family service	\$ 10,000	\$ 10,000	\$ 9,999	\$ 1	
Senior Citizens Program:					
Contribution	13,500	13,500	13,500		
Cemeteries and memorials:					
Pauper burials	4,000	4,275	4,275		
Transportation	15,000	15,000	14,911		89
Airport matching grant funds	150,000	150,000	147,000		3,000
Paducah Area Transit System	40,000	10,000	10,000		
Total Social Services	232,500	202,775	199,685		3,090
Recreation and Culture:					
Carson Park:					
Salaries:					
Supervisor	42,770	42,770	41,124		1,646
Uniforms	550	550	180		370
Renewals and repairs	40,000	23,681	23,680		1
Equipment	9,000				
New construction	5,000	27,583	27,582		1
Utilities	25,000	25,000	24,850		150
Other recreation programs:					
Contributions	55,000	28,241	22,281		5,960
Capital outlay	10,000	15,175	15,175		
Total Recreation and Culture	187,320	163,000	154,872		8,128
Total General Fund Expenditures	5,238,499	6,457,683	6,242,263		215,420

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	General Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues over (under) expenditures before other financing sources (uses)	\$ 4,259,177	\$ 3,039,993	\$ 4,442,967	\$ 1,402,974
<b>Other Financing Sources (Uses):</b>				
Transfers in			1,804,255	1,804,255
Transfers out	(6,159,177)	(5,745,303)	(5,406,391)	338,912
Total other financing sources (uses)	(6,159,177)	(5,745,303)	(3,602,136)	2,143,167
Revenues over (under) expenditures	\$ (1,900,000)	\$ (2,705,310)	\$ 840,831	\$ 3,546,141
Fund balance, July 1, 2003, as restated	1,900,000	1,900,000	4,622,467	
<b>FUND BALANCES, JUNE 30, 2004</b>	<b>\$ 0</b>	<b>\$ (805,310)</b>	<b>\$ 5,463,298</b>	

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	Road Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues:				
Intergovernmental:				
Municipal road aid	\$ 204,044	\$ 204,044	\$ 320,250	\$ 116,206
County road aid	520,834	520,834	664,870	144,036
Total Intergovernmental	724,878	724,878	985,120	260,242
Fees and fines:				
Licenses and permits	199,955	199,955	196,662	(3,293)
Miscellaneous:				
Other	10,000	10,000	940	(9,060)
Total Revenues	934,833	934,833	1,182,722	247,889
Expenditures:				
General Government:				
Salaries:				
Road Supervisor	43,520	43,520	41,847	1,673
Project Manager		10,044		10,044
Foreman	40,556	31,134	40,172	(9,038)
Office Supervisor	32,741	32,741	31,482	1,259
Contracts with private agencies	50,000	50,000	30,085	19,915
Office materials and supplies	4,000	4,000	2,955	1,045
Registrations, conferences, and training	4,000	4,000	2,407	1,593
Utilities	19,000	19,000	15,761	3,239
Office equipment	3,000	3,000		3,000
Insurance - liability	5,500	5,500		5,500
Insurance - equipment	17,250	17,250		17,250
Social Security	97,000	97,000	47,701	49,299
Retirement	80,000	62,660	48,906	13,754
Health and dental insurance	122,000			
Workmen's compensation	75,000	82,022	82,022	
Total General Government	593,567	461,871	343,338	118,533



**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	Road Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Expenditures: (Continued)				
Highways and Streets:				
Road labor salaries	\$ 667,440	\$ 619,039	\$ 534,268	\$ 84,771
Overtime pay	50,000	50,000	34,912	15,088
County road aid	200,000	245,917	245,917	
Equipment rental	10,000	10,000	4,903	5,097
Machinery and equipment	180,000	190,318	154,370	35,948
Road materials	199,755	199,755	173,491	26,264
Uniforms	15,000	15,000	11,115	3,885
Renewals and repairs	10,000	11,862	11,862	
Total Highways and Streets	1,332,195	1,341,891	1,170,838	171,053
Total Road Fund Expenditures	1,925,762	1,803,762	1,514,176	289,586
Revenues over (under) expenditures before other financing sources (uses)	(990,929)	(868,929)	(331,454)	537,475
Other Financing Sources (Uses):				
Transfers in	990,929	990,929	1,031,267	40,338
Transfers out			(699,813)	(699,813)
Total Other Financing Sources (Uses)	990,929	990,929	331,454	659,475
Revenues Over (Under) Expenditures		122,000		\$ (122,000)
Fund balance, July 1, 2003, as restated				
FUND BALANCES, JUNE 30, 2004	\$ 0	\$ 122,000	\$ 0	

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	Jail Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues:				
Intergovernmental:				
State jail allotment	\$ 240,000	\$ 240,000	\$ 254,297	\$ 14,297
State medical allotment	115,000	115,000	15,699	(99,301)
Total Intergovernmental	355,000	355,000	269,996	(85,004)
Fees and Fines:				
Housing prisoners	720,000	720,000	955,562	235,562
DUI fees	19,000	19,000	22,772	3,772
Court costs	30,000	30,000	30,718	718
Jail bond acceptance fees	90,000	90,000	9,129	(80,871)
General prisoner fees	18,000	18,000	55,534	37,534
Total Fees and Fines	877,000	877,000	1,073,715	196,715
Miscellaneous:				
Telephone commissions	121,000	121,000	203,263	82,263
Work release	50,000	50,000	88,922	38,922
Other	30,000	30,000	51,159	21,159
Total Miscellaneous	201,000	201,000	343,344	142,344
Total Revenues	1,433,000	1,433,000	1,687,055	254,055
Expenditures:				
General Government:				
Office of Jailer:				
Personnel services:				
Salaries:				
Jailer	81,968	66,910	79,756	(12,846)
Jail personnel	913,408	908,186	895,339	12,847
Medical personnel	56,891	84,573	84,572	1
Secretaries	57,344	54,704	54,703	1
Food service personnel	165,028	159,101	159,101	
Maintenance and grounds personnel	109,875	105,410	105,410	
Incentive pay	3,500	3,093	3,093	
Overtime pay	117,000	195,814	195,813	1

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	Jail Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Expenditures: (Continued)				
General Government:				
Fringe benefits:				
County contributions:				
Social Security	\$ 125,000	\$ 108,200	\$ 108,200	\$
Retirement	295,000	281,518	281,518	
Insurance	37,950			
Health insurance	470,000			
Workmen's compensation	90,000	97,025	97,024	1
General Government:				
General services:				
Memberships	2,200	1,500	1,500	
Registrations, conferences, and training	7,000	2,570	2,569	1
Total General Government	2,532,164	2,068,604	2,068,598	6
Public Safety:				
Operations:				
Contracts with government agencies	30,000	20,962	20,962	
Maintenance:				
Building repairs	20,000	14,061	14,060	1
Equipment repairs	25,000	109,757	109,757	
Pest control	2,000	5,550	5,550	
Solid waste	5,000	44	44	
K-9 supplies	2,000	683	682	1
Building and maintenance supplies	40,000	9,452	9,451	1
Custodial supplies	60,000	125,168	125,168	
Food preparation and serving supplies	25,000	38,850	38,849	1
Food	600,000	627,335	627,334	1
Linens	10,000	9,349	9,349	
Office supplies	9,000	13,529	13,529	
Personal hygiene	40,000	28,659	28,658	1
Prisoner clothing	20,000	26,395	26,395	
Uniforms	20,000	13,642	13,642	
Routine medical	376,000	329,628	329,028	600

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	Jail Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Expenditures: (Continued)				
Public Safety: (Continued)				
Operations: (Continued)				
Mental health	\$ 36,000	\$ 7,600	\$ 7,600	\$
Telephone	3,000	2,548	2,548	
Travel	2,000	1,000	999	1
Utilities	220,000	241,338	241,337	1
Vehicle expense	5,000	9,689	9,689	
Miscellaneous	1,000	131	131	
Lease payments	10,000	26,603	26,602	1
Communication equipment	10,000	2,217	2,217	
Data processing equipment	10,000	2,822	2,821	1
Food service equipment	10,000	668	667	1
Furniture and fixtures	8,000	29,652	29,652	
Office equipment	3,000	6,976	6,975	1
Total Public Safety	1,602,000	1,704,308	1,703,696	612
Total Jail Fund Expenditures	4,134,164	3,772,912	3,772,294	618
Revenues over (under) expenditures before other financing sources (uses)	(2,701,164)	(2,339,912)	(2,085,239)	254,673
Other Financing Sources (Uses):				
Transfers in	2,701,164	2,701,164	2,085,239	615,925
Revenues over (under) expenditures		361,252	\$	\$ (361,252)
Fund Balances, July 1, 2003, as restated				
FUND BALANCES, JUNE 30, 2004	\$	\$ 361,252	\$	

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	Sheriff Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues:				
Intergovernmental:				
Incentive pay	\$	\$	\$ 8,910	\$ 8,910
Total intergovernmental			8,910	8,910
Fees and fines:				
Sheriff fees	1,150,000	1,150,000	1,171,556	21,556
Total fees and fines	1,150,000	1,150,000	1,171,556	21,556
Miscellaneous:				
Other	3,000	3,000	15,035	12,035
Total Revenues	1,153,000	1,153,000	1,195,501	42,501
Expenditures:				
General Government:				
Salaries:				
Sheriff	81,968	81,968	79,369	2,599
Deputies	1,073,750	1,012,348	944,773	67,575
Overtime pay	110,000	125,832	125,831	1
Incentive pay	104,745	104,745	95,067	9,678
Law enforcement service fees	1,500	1,660	1,660	
Advertising tax bills	48,000	50,789	50,788	1
Ammunition	2,000	2,000	47	1,953
Motor vehicle parts	44,000	69,172	69,171	1
Office materials and supplies	28,000	28,000	18,706	9,294
Petroleum products	54,000	68,975	68,974	1
Uniforms	16,000	16,000	11,795	4,205
Gun range	2,500	2,500	2,500	
Postal charges	15,000	15,000	13,400	1,600
Travel	15,000	15,000	6,726	8,274
Communication equipment	12,000	12,375	12,375	
Other equipment	15,000	15,000	10,819	4,181
Registrations, conferences, and training	3,500	7,465	7,465	
Fringe benefits:				
Social Security	104,841	102,520	85,582	16,938
Retirement	232,879	226,309	226,309	
Health insurance	246,000			
Workmen's compensation	69,285	76,310	76,309	1
Total Sheriff's Fund Expenditures	2,279,968	2,033,968	1,907,666	126,302

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	Sheriff Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues over (under) expenditures before other financing sources (uses)	\$ (1,126,968)	\$ (880,968)	\$ (712,165)	\$ 168,803
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,126,968	1,126,968	1,027,961	99,007
Transfers out			(315,796)	315,796
Total other financing sources (uses)	1,126,968	1,126,968	712,165	414,803
Revenues over (under) expenditures		246,000		(246,000)
Fund balance, July 1, 2003, as restated				
<b>FUND BALANCES, JUNE 30, 2004</b>	<b>\$</b>	<b>\$ 246,000</b>	<b>\$</b>	

**MCCRACKEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS**  
**Required Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

	Debt Service Fund			Variance With Final Budget Over (Under)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues:				
Intergovernmental: State reimbursements	\$ 225,000	\$ 225,000	\$ 235,420	\$ 10,420
Miscellaneous: Interest	10,000	10,000	2,900	(7,100)
Total Revenues	235,000	235,000	238,320	3,320
Expenditures:				
Capital Projects: Convention Center capital outlay	372,000	230,092	189,173	40,919
Debt Service:				
Bond principal payments	195,000	376,573	195,000	181,573
Bond interest payments	369,000	187,301	368,873	(181,572)
Four Rivers Center bond payment	85,000	85,000	66,137	18,863
Investment fees		2,211	2,210	1
Total Debt Service Expenditures	649,000	651,085	632,220	18,865
Total debt service fund expenditures	1,021,000	881,177	821,393	59,784
Revenues over (under) expenditures before other financing sources (uses)	(786,000)	(646,177)	(583,073)	63,104
Other Financing Sources (Uses):				
Transfers in	786,000	786,000	582,690	203,310
Transfers out				
Total Other Financing Sources (Uses)	786,000	786,000	582,690	203,310
Revenues over (under) expenditures		139,823	(383)	\$ (140,206)
Fund balances, July 1, 2003			564,523	
FUND BALANCES, JUNE 30, 2004	\$	\$ 139,823	\$ 564,140	

**MCCRACKEN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2004**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. A formal budget is not adopted for the McCracken County Public Improvement Corporation Fund.

The State Local Finance Officer does not require the McCracken County Public Improvement Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**BUDGETARY RECONCILIATION TO  
 GENERALLY ACCEPTED ACCOUNTING PRINCIPLES - MAJOR FUNDS**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>Sheriff Fund</u>	<u>Debt Service Fund</u>
<b>Sources/Inflows of resources</b>					
Actual amounts (budgetary basis)	\$ 10,685,230	\$ 1,182,722	\$ 1,687,055	\$ 1,195,501	\$ 238,320
Differences – budget to GAAP:					
The County budgets for revenues only to the extent they are expected to be received, rather than on the modified accrual basis.	<u>199,592</u>	<u>24,467</u>	<u>39,365</u>	<u>20,600</u>	
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 10,884,822</u></u>	<u><u>\$ 1,207,189</u></u>	<u><u>\$ 1,726,420</u></u>	<u><u>\$ 1,216,101</u></u>	<u><u>\$ 238,320</u></u>
<b>Uses/outflows of resources</b>					
Actual amounts (budgetary basis)	\$ 6,242,263	\$ 1,514,176	\$ 3,772,294	\$ 1,907,666	\$ 821,393
Differences – budget to GAAP:					
The County budgets for claims only to the extent they are expected to be paid, rather than on the modified accrual basis.	<u>244,680</u>	<u>7,569</u>	<u>103,115</u>	<u>62,404</u>	<u>(189,172)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u><u>\$ 6,486,943</u></u>	<u><u>\$ 1,521,745</u></u>	<u><u>\$ 3,875,409</u></u>	<u><u>\$ 1,970,070</u></u>	<u><u>\$ 632,221</u></u>



**MCCRACKEN COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

**June 30, 2004**

**MCCRACKEN COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

**June 30, 2004**

	<b>Special Revenue Funds</b>			
	<b>Federal Grant Fund</b>	<b>Juvenile Justice Fund</b>	<b>State Grant Fund</b>	<b>Local Government Economic Assistance Fund</b>
<b>ASSETS</b>				
Cash in bank	\$	\$	\$ 161,432	\$
Accounts receivable	41,264		57,816	
Due from other funds			2,181	
<b>TOTAL ASSETS</b>	<b>\$ 41,264</b>	<b>\$</b>	<b>\$ 221,429</b>	<b>\$</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 4,500	\$ 6,598	\$ 190,886	\$
Due to other funds	26,323			
Deferred revenue	10,441		30,543	
<b>Total Liabilities</b>	<b>41,264</b>	<b>6,598</b>	<b>221,429</b>	
Fund Balances:				
Reserved for:				
Debt service				
Other		(6,598)		
<b>Total Fund Balances</b>		<b>(6,598)</b>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 41,264</b>	<b>\$</b>	<b>\$ 221,429</b>	<b>\$</b>

**MCCRACKEN COUNTY**  
**COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**  
**June 30, 2004**  
**(Continued)**

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	
<u>Carson Park Bleacher Fund</u>	<u>Totals</u>	<u>Transient Room Holding Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$	\$ 161,432	\$ 54,387	\$ 215,819
	99,080		99,080
	2,181		2,181
<u>\$</u>	<u>\$ 262,693</u>	<u>\$ 54,387</u>	<u>\$ 317,080</u>
\$	\$ 201,984	\$	\$ 201,984
	26,323		26,323
	40,984		40,984
	269,291		269,291
		54,387	54,387
	(6,598)		(6,598)
	(6,598)	54,387	47,789
<u>\$ 262,693</u>	<u>\$ 262,693</u>	<u>\$ 54,387</u>	<u>\$ 317,080</u>

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**MCCRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

**MCCRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2004**

	Special Revenue Funds			
	Federal Grant Fund	Juvenile Justice Fund	State Grant Fund	Local Government Economic Assistance Fund
<b>Revenues:</b>				
Intergovernmental	\$ 239,397	\$ 10,327	\$ 822,001	\$ 12,382
Miscellaneous				
Total Revenues	<u>239,397</u>	<u>10,327</u>	<u>822,001</u>	<u>12,382</u>
<b>Expenditures:</b>				
Current:				
Public safety		100,088		
Social services	229,819		874,797	
Debt service:				
Principal				
Interest				
Total Expenditures	<u>229,819</u>	<u>100,088</u>	<u>874,797</u>	
Revenues over (under) expenditures before other financing sources (uses)	<u>9,578</u>	<u>(89,761)</u>	<u>(52,796)</u>	<u>12,382</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	241,633	95,949	762,120	
Transfers out	(251,211)	(10,328)	(709,324)	(12,382)
Total Other Financing Sources (Uses)	<u>(9,578)</u>	<u>85,621</u>	<u>52,796</u>	<u>(12,382)</u>
Net change in fund balance		(4,140)		
Fund balances, July 1, 2003, as restated		(2,458)		
FUND BALANCES, JUNE 30, 2004	<u>\$ 0</u>	<u>\$ (6,598)</u>	<u>\$ 0</u>	<u>\$ 0</u>

**MCCRACKEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2004**  
**(Continued)**

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	
<u>Carson Park Bleacher Fund</u>	<u>Total</u>	<u>Transient Room Holding Fund</u>	<u>Total Non-Major Governmental Funds</u>
\$	\$ 1,084,107	\$	\$ 1,084,107
46	46	525,084	525,130
46	1,084,153	525,084	1,609,237
	100,088		100,088
	1,104,616	256,426	1,361,042
		110,000	110,000
		155,312	155,312
	1,204,704	521,738	1,726,442
46	(120,551)	3,346	(117,205)
	1,099,702		1,099,702
(57,795)	(1,041,040)		(1,041,040)
(57,795)	58,662		58,662
(57,749)	(61,889)	3,346	(58,543)
57,749	55,291	51,041	106,332
\$ 0	\$ (6,598)	\$ 54,387	\$ 47,789

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**MCCRACKEN COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2004**



**MCCRACKEN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2004**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of McCracken County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of McCracken County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for McCracken County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for McCracken County reported in Part C of this schedule.
7. The program tested as a major program was: Economic Development Administration Grant – Industrial Park West Project (CFDA #11.307).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. McCracken County was determined to be a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

STATE LAWS AND REGULATIONS

None.

REPORTABLE CONDITIONS

None.

PRIOR YEAR FINDINGS FINANCIAL STATEMENT AUDIT

Reference Number B1: "The County should obtain bids for all purchases over \$20,000 or a lesser limit as set by policy." This finding was corrected.

Reference Number B2: "Employee responsible for jail payroll timesheets should be suitably trained to accurately report date, names, and other pertinent information concerning payroll to the Treasurer's Office." This finding was corrected.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

None.

Prior Year Finding - Federal Audit

"The grant coordinator or a designated person should properly monitor the receipt and expenditure of all grant funds to insure that all reimbursements are properly requested, received, and recorded in the County's financial records." This finding was corrected.

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**MCCRACKEN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**MCCRACKEN COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2004**

<b>Cash Programs:</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantor's Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Homeland Security:</b>			
Passed-through Kentucky Department of Military Affairs:			
State Domestic Preparedness Equipment Support Program			
Homeland Security Grant - Part 1	97.004	M-03138124	\$ 35,122
Homeland Security Grant - Part 2		M-03254738	37,742
Hazardous Material Team - Part 1		M-02312992	133,577
Hazardous Material Team - Part 2		M-03019411	3,500
Hazardous Material Team - Administrative		M-03255396	1,920
CERT		M-03053041	15,200
CitizenCorps		M-03052269	2,708
Emergency Management Performance Grants	97.042		7,879
Total U.S. Department of Homeland Security			<u>229,769</u>
<b>U.S. Department of Commerce:</b>			
Passed-through Kentucky Transportation Cabinet:			
Economic Adjustment Assistance			
Industrial Park West Project	11.307	04-49-04948	370,916
<b>U.S. Department of Justice:</b>			
Passed-through Kentucky Justice Cabinet:			
Juvenile Accountability Incentive	16.523	2001-JB-BX-0021	6,920
Block Grant		2000-JB-VX-0021	3,408
Title V - Delinquency Prevention Program	16.548	2001-JP-FX-0021	60,358
Direct program:			
Juvenile Mentoring Program	16.726	2002-LB-BX-2394	24,279
Public Safety Partnership and Community Policing Grants	16.710	2002CMWX0064	39,569
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 743,098</u></u>

**MCCRACKEN COUNTY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Fiscal Year Ended June 30, 2004**

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of McCracken County, Kentucky, and is presented on a modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Danny Orazine, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of McCracken County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McCracken County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McCracken County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of McCracken County Fiscal Court, management, and the Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 21, 2005

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Danny Orazine, McCracken County Judge/Executive  
Members of the McCracken County Fiscal Court

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of McCracken County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. McCracken County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of McCracken County's management. Our responsibility is to express an opinion on McCracken County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about McCracken County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of McCracken County's compliance with those requirements.

In our opinion, McCracken County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of McCracken County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered McCracken County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
March 21, 2005



**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

**MCCRACKEN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2004**

**Appendix A**



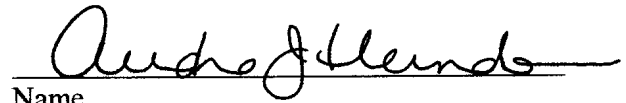
**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**McCRACKEN COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2004

The McCracken County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name  
County Judge/Executive



Name  
County Treasurer